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NEWS SUMMARY

GENERAL

Indefinite Tube strike by Aslef

London's Underground services will be disrupted today after 2,000 drivers, half the Tube's total, decided on an indefinite strike in protest at cuts in services.

The Associated Society of Locomotive Engineers and Firemen was trying last night to persuade London Transport's two other unions to join its all-out strike call. Back Page

Radical plan

Trade union and Labour Party leaders approved a programme committing a future Labour Government to what would be the most radical extension of enocomic planning and trade union rights ever tried in the UK. Page 12

Training backed

The Government approved the proposed £1.1bn Youth Training Scheme in the form supported by both sides of industry. Tebbit to pay 16-year-olds, Page 18; Parliament, Page 9

Pipeline dispute

West Germany criticised sharply the U.S. decision to extend its embargo on the supply of U.S. technology for the Siberian gas pipeline to Western Europe. Back Page

Railstaff attacked

The Transport Secretary attacked British Rail trade unions for their lack of productivity. He said no extra taxpayers' money would be forthcoming for their latest wage demands. Page 9

Severn bridge

The Severn bridge is safe, the Transport Secretary said. But weather, wear and tear and traffic require unspecified millions to be spent on strengthening it in addition to £6m already paid for repairs.

Citroen found

Police hunting the murderer of a Harrogate constable seek information on the last person seen driving a metallic green Citroen GSX 2, registration number KYF 326P, found in a field near Garforth, West Yorks.

Tribune uneasy

Unease about the implications of the Labour Party's report on the Militant Tendency spread to the Tribune Group. Page 9

World Cup row

The president of Kuwait's football association, a sheikh, walked on to Valladolid pitch to protest about a goal awarded to France in the World Cup. Players threw blows. Kuwait won the argument but lost the match. 1-4. Austria beat Algeria 2-0.

Briefly . . .

South Atlantic Fund is to benefit from a theatre gala at the London Coliseum on July 18 attended by the Prince of Wales.

Wimbledon: John McEnroe beat Van Winitsky in three straight sets. Jimmy Connors beat Mike Myberg 6—4, 6—2, 6—2.

Death-toll in Thursday's Philippines ferry explosion reached 36; 12 missing.

Duke and Duchess of Kent will visit Hong Kong October 25-November 2 to open Far East Paraplegic Games.

Pigeon races from Spain to Britain this summer banned by UK in fear of diseases.

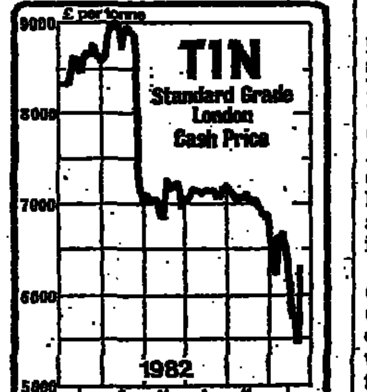
684 anti-nuclear protestors arrested trying to block Livermore laboratory near San Francisco.

David Frost and wife Lynne Fredrick divorced after 18 months.

BUSINESS

Cash tin up £820; equities off 3.1

● CASH TIN closed £820 up from Friday at £6,295 a tonne after Malaysia said it would join the proposed sixth International Tin Agreement. Page 25



● GOLD fell $11.5 to $296 in London. In New York the Comex June close was $301.5 ($304.8). Page 25

● EQUITIES early losses were cut sharply when sterling's rise from low levels against the dollar started a technical rally. The FT 30-share index closed 3.1 off at 554.9. Page 27

● GILTS also made some recovery. The Government Securities index finished 0.36 lower at 68.60. Page 27

● WALL STREET was 4.28 up at 792.9 near the close. Page 26

● STERLING fell to $1.727, a drop of 1.25c, SwFr 3.6775 (SwFr 3.6875) and FFr 11.865 (FFr 11.87). It was unchanged at DM 4.28. Its trade-weighted index was 91 (91.2). Page 28

● DOLLAR rose to DM 2.477 (DM 2.46), Sw Fr 2.129 (SwFr 2.12), FFr 6.8725 (FFr 6.825) and Y257.1 (Y255.1). Its index was 121.7 (120.5). Page 28

● ECONOMY'S longer-term prospects continue to improve slowly but steadily and the shorter-term outlook appears to be edging out of the doldrums. Page 7

● ICI fears its biggest rivals will be given a tax deal on petrochemical feedstock in Finance Bill amendments expected today. Page 8; Refining cut recommended, Page 2

● WORLD GAS industry is set for steady expansion, Dutch Gasunie's general managing director said. FT conference report, Page 2

● OPEC will probably recommend lifting the 17.5m b/d ceiling on oil output next month. Page 4; Spot prices, Page 25

● NORMAN SIDDALL will be Coal Board chairman for a year. Page 7

● VIEWDATA information system based on technology developed for Prestel is to be sold in the U.S. by IBM. Dow Jones agreed to buy the IVS-3 videotex system of NEB subsidiary Aregon for cable TV in Princeton, New Jersey.

● OECD produced compromise proposals aimed at extending the 22-nation export credit agreement due to run out on Friday. Back Page

● BRITISH TELECOM is expected to report a profit of £425-£450m for the year to March 31 from £180.7m when it was part of the Post Office. Back Page

● AUSTIN ROVER, BL's volume car subsidiary, denied that failure to meet market share targets had prompted another appeal to suppliers. Page 8; VW sales depressed, Saab-Scania profits up, Page 22

● CHAMBERLAIN PHIPPS, footwear manufacturing industry supplier, lifted taxable profits by £1.38m to £3.23m in the year to March 31. Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Delyn	24	+ 3
Minet	148xc	+ 8
Routledge Kn Paul	278	+ 28
Trident TV A	67	+ 3

FALLS

Treas 12½pc 1986 (£30 paid)	£28¾	— ⅜
Treas 11¼pc 01-04	£88⅞	— ¾
Barratt Devs	274	— 12
Blue Circle	430	— 8
British Cmwlth	438xd	— 11½
Cable and Wireless	268	— 7
Caird (A.)	370xd	— 40
Eurotherm	383	— 15
Farnell Elec	185	— 7
Firth (G. M.)	140	— 10
French (T.)	110	— 5
Glaxo	683	— 6
Johnson Matthey	227	— 16
Lloyds Bank	375	— 13
Metal Box	152xd	— 7½
Pegler-Hattersley	188xd	— 9
Polly Peck	314	— 11
Standard Chartered	395	— 8
Tarmac	272xc	— 12
Gold Fields SA	£19⅛	— 1¼
Hartebeest	£17½	— 1⅞
Jo'burg Cons	£20	— 3½
Loraine	73	— 13
MIM	147	— 11
RTZ	347	— 11
Vaal Reefs	£22¼	— ⅞
West Rand	57	— 12
Winkelhaak	871	— 74

Market speculation on U.S. action trims strong rise in dollar

BY OUR FOREIGN AND FINANCAIAL STAFF

THE DOLLAR pushed its way to new peaks for the year on the European exchange markets yesterday although the rise was trimmed during the afternoon amid growing speculation that the U.S. administration might take action to curb the rise in interest rates.

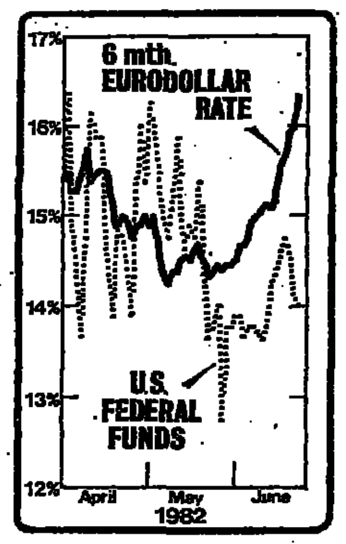
The sharp advances took place before a Washington speech in which Mr Donald Regan, the U.S. Treasury Secretary, confirmed that a "review of all aspects" of the Reagan Administration's economic policies had begun. "Far from being a matter for alarm, such a review should be reassuring," he said.

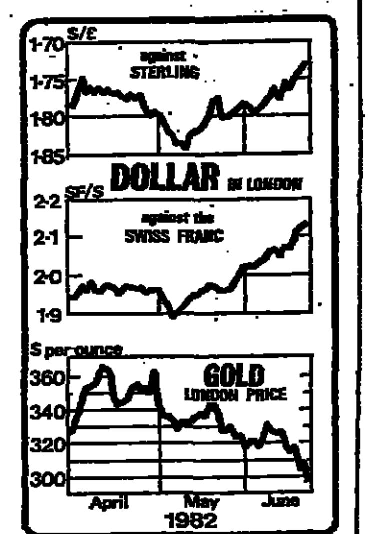
Although he gave no details of the options under review, he did point to "two items that could use improvement." These were interest rates and monetary policy, he said.

The strength of the dollar in Europe was associated with a further rise in interest rates in the Euromarkets and a sharp fall of bond prices in Europe.

In spite of some late nervous selling of the dollar, it closed 1.7 pfennig higher against the Deutsche Mark in London at DM 2.4770 compared with Friday's close and made a substantial gain against the pound, which lost 1¼ cents to close at $1.7270.

The fundamental strength of the dollar was reflected in a further fall of the gold price, which fell through the psychologically important $300 per ounce to $296.75,, down 10.75 from Friday, at its lowest for three years at the afternoon fixing in London.





The dollar reached all-time peaks in London against the Italian lira, the French franc and the Canadian dollar. At the close in London its Bank of England trade weighted index against a basket of currencies was 1.2 points higher than on Friday at 121.7. This is the highest for 12 years and 13 per cent higher than it was six months ago.

The Eurodollar bond market yesterday suffered its worst day since the present severe slide began four weeks ago. Prices of many bonds were marked down by up to 1½ points. In the

Continued on Back Page

South African goldmine loses subsidy, Page 4; Why the dollar is shooting up, Page 16; Mining column, Page 19; Money markets, Page 27; Lex, Back Page

Israelis hammer Beirut

BY ANTHONY McDERMOTT IN BEIRUT AND DAVID LENNON IN TEL AVIV

THE LEBANESE capital, Beirut, yesterday came under the heaviest Israeli artillery and naval bombardment for a fortnight, only hours before Mr Menahem Begin, Israel's Prime Minister, held talks with President Ronald Reagan in Washington.

Israeli forces also claimed to have destroyed four Syrian tanks in a separate clash east of the capital. An Israeli military spokesman would not confirm the extent of the shelling around Beirut, but said Israel had responded to Palestinian fire.

Shelling was heaviest in the southern suburbs of the city, where Palestinian camps are. By mid-morning, however, the densely-populated areas of West Beirut were also under fire.

The attacks started at dawn with Israeli gunboats attacking targets along the sea front. Shells then began to land close to the city centre and in areas previously considered safe.

One shell seriously damaged a building close to the Commodore hotel where the international press corps has its headquarters. Another was said to have hit a hospital in south-east Beirut, killing two people and injuring 13.

The Soviet news agency, Tass, reported that the Soviet Embassy had been damaged and said Israel bore full responsibility for "these criminal actions."

The bombardment of West Beirut increased the feeling inside Israel that the final push to capture the western half of the city was coming closer, especially as diplomatic efforts to persuade the Palestine Liberation Organisation (PLO) to lay down its arms were reported to be making little progress.

General Ariel Sharon, the Israeli Defence Minister, has been trying to persuade the Cabinet to allow him to launch a final assault on the encircled city and thus deliver the crushing blow to the Palestinian guerrilla organisation which has been the primary aim of the invasion he has directed.

Emphasising the growing determination in Israel to eliminate the PLO from the Middle East, Dr Eliyahu Ben Elissar, the chairman of the parliamentary Foreign Affairs and Defence Committee, said last night that the destruction of the PLO headquarters in Beirut was almost inevitable.

There are thought to be 6,000 PLO fighters and 1,000 Syrian soldiers trapped in West Beirut.

In Washington, there were growing signs of dissension on Middle East policy within the Reagan Administration yesterday as the president received Mr Begin.

Mr Caspar Weinberger, the Defence Secretary, who has been seeking to improve relations between the U.S. and moderate Arab states, had made a thinly-veiled attack on the pro-Israel policies of Mr Alexander Haig, the Secretary of State on Sunday.

He suggested in a television interview that Mr Haig was not speaking for the administration as a whole on the Middle East. The State Department has indicated that U.N. resolution 509, which demands Israel's immediate withdrawal from Lebanon, was no longer relevant. But Mr Weinberger said on Sunday, "it is very premature, and probably totally wrong, to say what our policy is right now."

Amoco to offer top-up for wallets

BY ALAN FRIEDMAN

BARCLAYCARD holders will be able to top up their wallets as well as their petrol tanks from next Tuesday at Amoco petrol stations at Reading and Portsmouth.

The pilot scheme will also apply to holders of Barclaybank cash dispenser cards. The stations will be fitted with counter terminals to allow the cardholders to withdraw up to £100 cash on any one day.

Under the system, operated by Amoco petrol station cashiers, the card will go through a counter terminal linked via British Telecom lines to the Barclaycard computer authorisation terminal at Northampton.

Mr David Watson, Amoco UK's manager of special projects, said last night: "The motorist can now purchase his petrol and get a top-up on his finances at the same time."

Customers will not need to purchase petrol in order to use the cash withdrawal facility. The idea, according to Mr Watson, is to provide "a bank without bricks and mortar."

He said the programme, if successful, would be expanded to other Amoco stations, of which there are more than 300 in Britain. The growth of the scheme would depend in part on the availability of the necessary British Telecom lines.

At Barclaycard headquarters at Northampton, Mr Seymour Fortescue, chief executive-designate, said the counter terminals would be more efficient than automated teller machines, which are extensively used at bank branches. "Cash dispensers are not always reliable. There is much less to go wrong with the counter terminals." He said Barclaycard had approached Amoco several months ago and had found the oil company "very sympathetic to our argument."

The idea of non-bank, cash withdrawal facilities would be to supplement the bank's network of automated teller machines. The counter terminals are also less expensive to install than the machines. Whereas a through-the-wall cash dispenser might cost £30.000 to install, and £5,000 to £10,000 a year to operate, the counter terminals cost only £1,500 each.

CONTENTS

For latest Share Index phone 01-246 8026

Talks on future of Gibraltar cancelled

By Robert Graham in Madrid and John Wyles in Luxembourg

SPAIN yesterday postponed indefinitely Friday's planned re-opening of its border with Gibraltar. The decision means that talks over the future of the Rock, in Sintra, Portugal, between Mr Francis Pym, the Foreign Secretary, and Sr Jose Pedro Perez Llorca, his Spanish counterpart, have been cancelled.

Behind the decision are Spanish fears of adverse domestic political reaction in the wake of the Falklands crisis.

Mr Pym, who is attending a meeting in Luxembourg, of EEC foreign ministers, said he was "very disappointed" after learning of Madrid's decision. Both he and Sr Perez Llorca atcknowledged, however, that the Falklands crisis had created such an emotional climate in Britain and Spain that it would be difficult to go ahead with ending the 13-year closure of the frontier.

The official reason given by the Government in Madrid yesterday was a hardened British attitude in the wake of the Falklands conflict. Officials also suggested that Mr Pym had failed to establish the same kind of working relationship with Madrid as his predecessor, Lord Carrington.

However, these reasons seem insufficient to account fully for the last-minute change of heart. When Sr Leopoldo Calvo Sotelo, the Spanish Prime Minister, met Mrs Margaret Thatcher, in Bonn at the Nato summit earlier this month there was no suggestion—that the frontier would not be opened as planned.

The Spanish Government appears to be afraid of doing anything which might further undermine its chances in the elections it is expected to call in the autumn.

The frontier reopening has been questioned by the Right and the military. Over the weekend editorials in the main right-wing newspapers argued against any opening of the frontier, unilaterally closed by Spain in 1969.

There now seems to be little hope of any real progress until after the general elections.

Yesterday in the Campo area adjoining Gibraltar, which has almost 20 per cent unemployment, the decision

Continued on Back Page
Editorial comment, Page 16;
Ten present tough front to Spain, Page 2.

Thatcher to meet Reagan tomorrow

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER will meet President Ronald Reagan in Washington tomorrow at his invitation, partly to discuss the Falklands. This follows signs of differences between the UK and the U.S. about the long-term future of the islands.

The Prime Minister will make a flying visit to the U.S., leaving this afternoon, to address the UN special session on disarmament in New York. She will then go briefly to Washington for an hour-long meeting with the President.

Mr William Clark, the President's national security adviser, said the U.S. was interested in helping the task of reconciliation, which "must now occur."

U.S. officials are reported to be worried about Mrs Thatcher's tough line on the Falklands, in particular her exclusion of the UN from discussions about their long-term future and her refusal to talk about their sovereignty other than with the islanders.

The U.S. has indicated that it would not participate in any force to guarantee the security of the islands without a wider international agreement involving Argentina.

In London officials maintain that the Anglo-U.S. alliance is unruffled, and claim that there are no signs of U.S. pressure over the Falklands. The talks, they said, would cover several subjects, including the Middle East.

Mrs Thatcher is expected to ask the U.S. to continue sanctions against Argentina, despite the weekend decision of the EEC Foreign Ministers to lift their imports ban on Argentine goods.

Sanctions

In Washington last night Mr Thomas Enders, Assistant Secretary of State, said the U.S. would in any case delay lifting sanctions until the Argentine Government agreed to a cease-fire throughout the South Atlantic.

Britain is still maintaining the total exclusion zones in the South Atlantic until Argentina agrees to a full end of hostilities.

Senior Ministers believe this is having a considerable adverse impact on Argentine trade, since ships going into Argentine ports face very large insurance premiums on war risk cover.

Mrs Thatcher sent letters yesterday to the Opposition party leaders detailing her proposals on the promised inquiry into the origins of the Falklands crisis, and inviting their comments.

She wants all-party backing. After consultation a full statement about the terms and membership will be made.

She is known to favour an inquiry by a small group of senior Privy Councillors looking at the facts leading to the invasion, and going back over the record of previous administrations since the 1960s.

Mr Michael Foot, the Labour Party Leader, favours a rapid inquiry, reporting before the Parliamentary summer recess, and primarily considering if there were errors of intelligence or of interpretation.

The possibility of a later study looking further back has not been excluded by him.

Priority

Mr David Steel, the Liberal leader, holds a similar view. He said last night that the priority should be consideration of the immediate prelude to the invasion, with events further back a separate and less urgent issue.

It should not be "a tame Establishment inquiry" and must be seen to be both authoritative and backed by Parliament.

Mr Steel pressed for a review of policy on arms sales and of the defence budget.

The Defence White Paper is due to be published later today. It will have a small addendum referring to the Falklands crisis and pointing to the present review of the operations of defence equipment, which will be completed by the late autumn.

Mr John Nott, Defence Secretary, faces a delicate political task in balancing the strong naval lobby, both among servicemen and politicians, for a much larger surface fleet, against Treasury pressure to hold down defence expenditure.

He is determined to stay at his post and justify the broad policy priorities announced last year which, he says, have not been altered by the crisis.

He will press for the full cost of the Falklands operations to be financed, in addition to existing defence plans, and may mollify some of his critics by keeping the carrier Invincible, in the South Atlantic, which was to be sold to Australia.

The Opposition will argue that the White Paper is completely out of date and that policies, especially the Trident commitment should be reconsidered.

American news—Page 6

£ in New York

—	June 18	Previous
Spot	$1.7365-7385	$1.7365-7385
1 month	0.39-0.42 pm	0.38-0.41 pm
3 months	1.43-1.47 pm	1.35-1.40 pm
12 months	4.85-4.95 pm	4.65-4.75 pm

EEC ENTRY NEGOTIATIONS

Ten present tough front to Spain

BY JOHN WYLES IN LUXEMBOURG

NEGOTIATIONS ON Spain's application to join the EEC moved into a turbulent phase last night when Community foreign ministers adopted a hard negotiating position on industrial and tariff issues.

As a result, the proposals which were later put to Sr Jose Pedro Perez Llorca, the Spanish Foreign Minister, last night looked likely to cause considerable difficulties for Madrid. The French minister M Andre Chandernagor, Minister for European Affairs, played a key role in insisting on a tough Community line and may thus have created a chilly climate for President Francois Mitterrand when he arrives in the Spanish capital today on a three-day visit.

Paris has always professed enthusiasm for Spanish membership of the EEC, but in the past two years' negotiations it has been the most obstructive. France has insisted on an internal EEC agreement on a revised Mediterranean agricultural policy before putting any agriculture. proposals to the Spaniards and, in the process, has delayed key negotiations on this issue.

Madrid's January 1, 1984, target for membership is beginning to look out of reach, and this could strengthen the growing reservations in Spain's business community about the wisdom of joining the EEC.

In his opening statement in last night's negotiations, Sr Perez Llorca expressed some satisfaction about the progress made so far in the negotiations but complained strongly that the lack of any EEC proposals on the key issue of agriculture and fisheries.

The three most important elements of the negotiating position adopted by the Ten yesterday, and now being considered by Madrid, are:

- A proposal for a three-year transition period before the full dismantling of Spanish tariffs on industrial imports from the Community. The European Commission had suggested a five-year transition period, while Madrid wants as close as possible to 10 years, arguing that its industry is ill-equipped to deal with a too premature blast of full competition from the EEC.
- A refusal to grant Spain any exemptions from the full application of value added tax except for small- and medium-sized businesses. Spain had wanted a longer list of exemptions, having made a major concession earlier this year in agreeing to apply VAT from the date of its accession.
- A warning that, if Spain increases its steel production capacity above present levels, its sales to the rest of the Community will be controlled by quotas. France had wanted even stronger pressure on Madrid to restructure its industry by requiring a reduction in present capacity levels, but this move was fought off by Sig Lorenzo Natali, the Commissioner responsible for enlargement.

Delicate task faces Mitterrand in Madrid

BY DAVID WHITE IN PARIS

THE FRENCH President, M Francois Mitterrand, will try to answer charges of French unhelpfulness both over Spain's EEC entry negotiations and the problem of Basque terrorism during a two-day visit to Madrid starting today.

Both these subjects have surfaced again in the past few days, with a renewal of attacks by French farmers on lorries transporting Spanish agricultural produce, and with news that four Spanish Basques, wanted for trial by Madrid, escaped from a French hotel where they were being kept under surveillance.

The two issues are expected to dominate M Mitterrand's discussions with Sr Leopoldo Calvo Sotelo, the Spanish Prime Minister, and party leaders.

The French President is also due to have several meetings with King Juan Carlos.

M Mitterrand conceded in a news conference earlier this month that relations with Spain were "not excellent" but that he would be prepared to discuss these delicate issues during his visit.

France has been accused of holding up the process of Spanish entry into the EEC since before M Mitterrand's election last year. The French position has been that, while Spanish membership poses no political obstacle, a satisfactory arrangement has to be found first in those economic sectors where France feels most exposed — Mediterranean farm produce and textiles.

A presidential spokesman said France had "a duty" to support Spain's democracy but that it had to avoid a precipitate EEC entry "which might be based on misunderstandings."

On the Basque issue, M Mitterrand has stuck by his policy of refusing extradition, despite persistent Spanish objections. A row over this issue led to the postponement of a visit to Madrid last summer by M Gaston Deferre, his Interior Minister.

With little prospect of a French backdown on extradition, the Spanish are expected to press for a further tightening of police controls on the French side of the border.

● M Mitterrand (right): Spanish visit

Yugoslavia abandons inflation target

By Aleksandr Lebl in Belgrade

THE YUGOSLAV Government has conceded defeat in its effort to contain the country's inflation rate to 15 per cent this year. Instead, it has set itself the more modest goal of bringing the annual increases in retail prices down to 25 per cent, from nearly 40 per cent last year.

Mrs Milka Planinc, the federal Prime Minister, is to detail later this week the means by which her Government aims to cut the inflation rate by five percentage points in each of the next three years, so that by the end of 1985 it should be down to 10 per cent.

The anti-inflation programme is understood to be aimed at reducing fixed asset investment from 35 per cent to 25 per cent of the gross national product and cutting corporate taxes from 35 per cent to 30 per cent of GNP, as well as increasing direct income taxes with some offsetting reduction in indirect taxes.

For the duration of the programme, the Government and the national bank are aiming at real growth in the economy of 2-3 per cent, with restraint in both the money supply and bank lending.

In order to keep Yugoslav exports competitive, the Government intends to continue to let the dinar float downwards enough to offset the difference in inflation between Yugoslavia and its main Western trading partners.

Europe's oil industry recommended to cut refining further

BRUSSELS—Western Europe's oil industry intends to slash refining operations by 20 per cent because of slack demand, but more harsh cuts are needed to restore health to the business, the European Commission said yesterday.

It acknowledge that closing or scaling down oil refineries would add to unemployment in the EEC, running at nearly 10 per cent of the workforce. But it found that only about 60 per cent of the EEC's capacity to refine crude oil was used last year.

Companies had notified it that some 150m tonnes of annual capacity of 810m tonnes would be scrapped by 1985, but the EEC felt 50m tonnes more needed to be cut.

The industry has been hit by falling demand, partly due to recession but also a result of the Community's own measures to curb dependence on Middle East oil, and also by the growth of rival refining industries particularly in the Organisation of Petroleum Exporting Countries.

The Commission, mandated by EEC ministers to co-ordinate energy policies, said the proposed closures were distributed fairly evenly among member states and involved at least 14 refineries. It did not name companies involved but they are believed to include Exxon, the world's biggest oil company, and British Petroleum.

Some companies had said they would cut capacity but had not identified plants for closure. The EEC urged them not to go back on these more tentative projects.

The Commission said companies predicted a rise in demand at the end of this year, partly because of economic recovery. But over-capacity in the refining industry remained enormous and evidence for a sharp rise in demand was unconvincing.

Refinery closures were bound to add to unemployment and EEC funds should be used to combat this, the Commission said. Some 10.5m people, nearly 10 per cent of the workforce, are unemployed in the Community.
Reuter

World steel output falls

BRUSSELS—U.S. crude steel output totalled 6.1m tonnes in May, 41.5 per cent down from the same month last year, the Brussels-based International Iron and Steel Institute, said.

This sharp fall was the main reason for a 12.4 per cent year-on-year drop last month to 40.1m tonnes in steel output among countries reporting to the Institute. These account for 98 per cent of world steel production, excluding that of the Soviet Union, other East bloc countries, China and North Korea.

The U.S. figure for last month was 4.7 per cent down on April. The steel industry there has been severly hit this year by plunging demand.

Production in the EEC showed a 3.9 per cent year-on-year fall last month to 10.7m tonnes, with only British and Italian output levels up from May 1981. The figure represented a 1 per cent rise over April.

Sweden calls for action on acid rain

STOCKHOLM — "We've used the atmosphere as a garbage plant for decades. Now we're suffering the consequences," Mr Anders Dahlgren, Sweden's Agriculture Minister, told an international conference on "acid rain" here yesterday.

The prime aim of the conference is to strengthen environmental co-operation within the Economic Commission for Europe and to promote awareness of acidification of water and soil from industrial emissions falling as "acid rain" on many nations.

"If we had been more aware of the problems in 1972, we probably wouldn't have had these problems with acidification and fall-out today," he said.

"Acidification has been called the silent crisis or the sneaking catastrophe and it's no exaggeration to call acidification one of the most serious environmental problems of the 80s," added Mr Dahlgren.

He called for a stop to acidification and added that the world no longer can deny facts about harm from acids formed when air pollutants mix with rain that falls on lakes and forests.

Environment ministers of the 31 member states of the ECE, the United States and Canada have been invited to the Stockholm conference. An estimated 15 ministers have confirmed their participation while most others are sending lower ranked officials.

The ministerial meeting on June 28-30 will be preceded by two expert meetings attended by some 90 scientists.
AP

Balsemao says EEC curbs adding to balance of payments problems

BY DIANA SMITH IN LISBON

THE RESTRICTIONS that some of Portugal's future partners in the European Community are placing on certain of its exports are an important factor in the country's balance of payments difficulties, according to Sr Francisco Balsemao, the Prime Minister.

In his opening address to the Financial Times' Conference "Portugal—a New Outlook," Sr Balsemao reflected the deep concern of the Government and of Portuguese entrepreneurs with the threatening prospects of restrictive transition periods in several sectors after Portugal joins the EEC.

"We hope, and we certainly expect that what is left of these restrictions will be lifted soon," Sr Balsemao said. "In any case, we cannot accept any such restrictions after we join the communities formally. They are clearly against most of what the Treaty of Rome stands for. They cannot be easily justified, even in terms of our partners' economic welfare. They contradict the pro-free trade pronouncements of most of them. And, of course, they are very damaging to our industry and do not help maintain a pro-European attitude in Portugal."

Sr Balsemao was particularly adamant on the question of Portuguese migrants in Europe, and free circulation there for Portuguese manpower after accession to the EEC.

"We all know," he said, "that a sizeable number of Portuguese emigrants work in several countries that belonged to the European Community. It has been recognised repeatedly that the contribution of our workers to the welfare of these countries is by no means negligible.

"It will be very hard for the Portuguese people to understand why joining the European communities does not mean freedom of movement. We expect our future partners' understanding, and we hope that they will abide by the spirit of the Treaty of Rome."

On behalf of the EEC, M Charles Caporale, adviser on enlargement to the European Commission and head of Mediterranean policy, outlined some of the problems that have persistently arisen during negotiations with Portugal.

FINANCIAL TIMES
PORTUGAL—a new outlook
CONFERENCE

He warned that some kind of supervisory mechanism regarding textiles and clothing would have to be instituted after accession. He also warned that free circulation of labour was likely to face a transition period and reminded his audience that Greece has faced a longish transition, with restrictions on the movement of its citizens in the Community.

M Caporale stressed the impact that accession to the EEC would cause in Portuguese agriculture, where the majority of producers would face far stronger competition from European imports than they had had to face until now. However, despite the difficulties that have occurred in the long negotiation, M Caporale expressed optimism about a happy outcome. Providing Portgual and the Community worked intensely, he expected negotiations could be completed successfully by the end of this year.

He made a plea for intensive adaptation of Portugal's administrative structures so that it could benefit without unnecessary delay from the various EEC funds to which it will be entitled after accession.

A bleak view of Portugal's economic and industrial growth and productivity was offered by Professor Karl-Heinz Sohn, president of DEG (Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit). The requirements he felt indispensable to create a climate where foreign investment would increase more substantially in Portugal. He spoke of investment protection agreements, double taxation conventions, greater flexibility of labour and social legislation, and an easing of the rules on technology transfers and customs procedures.

Sr Joao Salgueiro, the Finance Minister hoped that the Bonn Government might be more liberal about Portuguese immigration to West Germany. Portugal, he pointed out, was extremely liberal towards foreign influences, interests and investment—in fact, the minister claimed it would be hard to find another country as open as his.

However, he said, it was hard for Portugal to continue to liberalise its economy without finding a matching response from its future partners, and indeed, having to face restrictions that went against the Treaty of Rome. Foreign countries readily advised Portugal, with a weak economy, on how to make changes. He would like to see these countries being readier to make mild adjustments in their own economies.

Sr Salgueiro did not seek to minimise Portugal's serious economic problems. But he reminded the audience that, since 1974, the country and her businessmen had adjusted remarkably to a reintroduction of democracy, and to decolonisation that brought home 700,000 refugees from Africa and seriously affected Portugal's trade balance by losing the tied African markets and increasing the need to import goods and foodstuffs for this 8 per cent addition to the population.

Mr Geoffrey Rippon, a leading British Conservative MP who chaired the morning's session, summed up the Finance Minister's pronouncements by quoting former Prime Minister Harold Macmillan: "The situation is brilliant, but precarious." Mr Alan Hare, the chairman of Pearson Longman, spoke of the 600-year alliance between Britain and Portugal and of Bitain's strong desire to see Portugal join it in the EEC.

Addressing one of Portugal's most serious problems in its negotiations with the European Community, M Claude Villain, director-general for EEC agriculture, said serious structural changes would have to be made in Portuguese agriculture if it was to cope with the Common Agriculture Policy (CAP).

M Villain made some comparisons between farm sizes and yields in Portugal and the Community. Three out of four of the country's 800,000 small farms are less than four hectares, and half are less than one hectare. In the Community, the average farm size is 15.5 hectares.

Portugal's farms yield less than one tonne of wheat per hectare, compared with a Community average of 3.5 tonnes per hectare.

The Government, he said, must restrain as soon as possible its enormous intervention in the agricultural system. Unlike state aid in the Community which tends to go towards modernisation, Portuguese state aid covers virtually every facet of agriculture, and state monopolies control distribution and import and export.

The deputy secretary-general of Efta, Mr Norbert Faustenhammer, said that when Portugal joins the Community, Efta will lose one af its founding members. However, it was of particular importance that Portugal should be able to count on the continued friendship of her Efta partners.

Prof. Anibal Cavaco Silva, former Finance Minister and now head of the Bank of Bank of Portugal's planning commission, said the most crucial changes in the economy will probably be made in agriculture.

"Agricultural output accounts for 12 per cent of GDP and agriculture employs about 30 per cent of the active population. Its rate of underemployment and disguised unemployment is very high. It is not possible for Portugal to attain a significant and sustained rate of economic growth and improvement in the living standards of its population without the development and modernisation of agriculture."

Worldwide demand for gas forecast to grow 75% by turn of century

BY RAY DAFTER, ENERGY EDITOR, IN VENICE

THE WORLD gas industry is set for a period of steady expansion, according to Mr George Kardaun, general managing director of Gasunie of the Netherlands. He told a conference in Venice yesterday that worldwide gas demand could grow by about 75 per cent by the turn of the century.

He was speaking at the Economics of Natural Gas Development Conference sponsored jointly by the FT and consultants Jensen Associates.

Mr Kardaun said that, by the turn of the century, gas would account for only one-fifth of world energy needs—its present share. Oil would remain the dominant fuel, although the long-term future of gas appeared to be brighter.

New industry forecasts suggested that worldwide production, now running at an annual rate of 1,650bn cu metres, could grow to about 2,200bn cu metres by 1990-91 and to 2,300bn-2,500bn cu metres a year by the end of the century.

Production could begin to fall in about 2015, but even in 2020, the world would still have sufficient gas reserves to last another 30 years.

Mr Kardaun said that in the international trade there needed to be a flexible attitude towards gas pricing and a mutual agreement struck between producers and importers. Producers should be aware that "if the buyer goes bankrupt, they will go bankrupt, too."

Mr James Jensen, president of Jensen Associates, said that the cost and logistical problems of transporting gas over long distances—in refrigerated ships or through pipelines—would concentrate the use of the fuel in or near the area of production.

He broke down the world's proven reserves—estimated at 85 trillion (million million) cu metres—in a way which showed that little more than one-third could be fed into the international market. Of the reserves, he said, some 10.1 per cent could be regarded as inaccessible either because of the smallness of fields or because oil production techniques necessitated the gas being flared and wasted.

The production of 10.6 per cent of the reserves was being held back because of political and economic considerations. A small amount (3.3 per cent) was considered too remote from existing market systems.

Of the remaining reserves, 5.7 per cent was already committed to export markets and 33 per cent was being retained for the use in the country of production. This left 37.3 per cent of the reserves available either for use domestically or for the export trade.

Dr Tongchat Hongladaromp, governor of the Thailand Petroleum Authority, told delegates that the Thai Government was considering exports of natural gas. A decision would be taken in the next few months.

The scope for exports was limited, he said. The country's estimated proven and probable gas reserves totalled 16 trillion (billion billion) cubic feet (453bn cubic metres). Thailand's own demand for natural gas over the next 30 years was expected to be 14 trillion cubic feet. Thailand needed exports, however, to help its balance of payments problem. "We are getting poorer and poorer every day," said Dr Tongchat. Last year Thailand imported \$2.8bn worth of oil, some 42 per cent of the value of export earnings.

Mr Adrian Lajous-Vargas, director general of Mexico's Secretariat of Natural Resources and Industrial Development, said it would not be feasible to increase Mexican gas exports before 1984 or 1985. Last year, the country exported 27m cubic metres a day, worth \$53m. An immediate increase in exports could not be achieved without a restriction of domestic consumption.

The long-term expansion of exports would depend on "adequate incentives." Given alternative domestic uses of gas and the possibility of satisfying the foreign exchange requirements through oil exports, Mexico might not be willing to sell gas at a price related to fuel oil, as sought by some major importers.

FINANCIAL TIMES
Natural Gas Development
CONFERENCE

Dr Marcello Colitti, Agip's vice-chairman and managing director for programming and development, warned that gas could be priced out of the world fuel market. Buyers and sellers should recognise the peculiar and costly problems of gas transportation and processing.

Companies and countries were more interested in finding oil, an easily transported and freely traded commodity. For some, a gas discovery was regarded as a dry, unsuccessful well. "Gas is an underdeveloped source of energy. We may add that its developed path is now at a crucial point."

Mr Peter Vrancken, adviser to Pecten LNG, said that buyers of gas and the governments in producing countries needed a "solid dose of realism" in approaching the negotiating table. Would-be project participants and lenders would be seeking clear evidence of political will and commitment to projects, each costing several billion dollars. Buyers should also be aware of the lengthy development time needed to plan, build and commission export projects in time to meet particular cases of supply shortages in the late 1980s or early 1990s.

Dr Joe Stanislaw, of the International Energy Agency's energy economic analysis division, pointed out that gas now accounted for nearly 15 per cent of total European energy requirements. European reserves, largely in and around the North Sea, might not be sufficient to maintain production at current levels beyond the turn of the century. As a result Europe would be forced increasingly to turn to alternative sources: probably countries in the Middle East and centrally planned economies which accounted for 65 per cent of proven gas reserves.

M Patrice de Vallee, consultant with the Banque de la Méditerranée, referred to the lack of communication between bankers and project developers. It was up to bankers to let the backers of some spurious projects know that their schemes were "pie in the sky."

Mr Arnaldo Vieira de Carvalho, project co-ordinator of the Centro de Tecnologia Promon in Brazil, talked about the use of natural gas in transportation. Some 500,000 vehicles of different types were now running either on compressed natural gas or liquefied gas.

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East Germans to help modernise Soviet industry

BY LESLIE COLITT IN BERLIN

EAST GERMANY has signed a series of economic agreements with the Soviet Union which demonstrates its growing importance to Soviet industry as a source of advanced technology.

In response to U.S. measures banning exports of equipment for the Soviet natural gas pipeline, East Germany is to help Moscow produce equipment, including compressor stations, for such pipelines.

West Germany's AEG-Telefunken was to have supplied 47 turbines for the pipeline pumping stations in a contract worth DM 650m (£151m). However, the company cannot build the turbines without using rotor blades based on technology from General Electric which President Ronald Regan ruled could not be produced under licence abroad.

At the recently completed meeting of the joint East German-Soviet Economic Commission, East Germany's main role was defined as that of a moderniser of Soviet industry, especially in the neglected consumer goods sector.

Government agreements were signed under which East Germany is to boost production and improve the quality of Soviet clothing, household lamps, toys, prams and musical instruments. East Germany is also to develop a new long-distance railway passenger coach for the Soviet Union.

East Berlin is already helping the Soviet Union improve its production of furniture, shoes, stockings and washing machines. East Germany conducts nearly 40 per cent of its trade with the Soviet Union and is its most important commercial partner making up 10 per cent of total Soviet trade.

Other joint projects agreed with the Soviet Union will also benefit Moscow more than East Berlin. East Germany and the Soviet Union are to modernise their production of plate glass and technical glass, fields in which East Germany has considerably more to offer. Both countries are to co-operate on jointly prducing basic chemicals and intermediate products from lignite which has long been an East German speciality.

They are to widen their co-operation in developing new technologies and equipment for coal gasification. East Germany is to help the Soviet Union produce an additional 1.5m tonnes of ammonia annually for fertilisers.

Rail link, Page 6

East bloc's share of world industrial output rises

BY MARK WEBSTER

THE EASTERN bloc countries have taken a larger slice of world industrial output over the past seven years at the expense of the West, according to a review by the United Nations Industrial Development Organisation.

The Unido study showed that the share of the Socialist countries rose from 22.9 per cent in 1975 to 24.9 per cent last year, while the West's share fell from 67.0 per cent to 64.7 per cent during the same period.

The developing countries also fared badly in their hopes of establishing an industrial base for their economies, with their share of world industrial output virtually stagnant.

Unido estimates that the Third World's share of the total went up by only 0.1 points from 10.2 per cent to 10.3 per cent.

The figures showed that some countries within the developing world did better than others, while the 31 nations listed as the least developed by the United Nations came off worst.

The share of world output within the developing countries is divided among Latin America 5.98 per cent; South and East Asia 2.74 per cent; Africa 0.92 per cent and West Asia 0.7 per cent.

Swedish business hints at need to devalue further

BY WILLIAM DULLFORCE IN STOCKHOLM

THE SWEDISH krona will need to depreciate by 10 per cent against the D-mark by the third quarter of next year if Sweden is to achieve the export-led economic recovery on which the Government is banking. This "assumption" is included in the Swedish Federation of Industries' latest forecasts for economic development to the end of 1983.

It predicts a 2.9 per cent growth in the volume of exports of goods and services this year and a 5.8 per cent growth in 1983. The condition is that the krona exchange rate moves from its present 2.48 to the D-mark to an average of 2.58 in the second half of this year and an average of 2.65 in 1983, reaching 2.75 in the third quarter.

The federation's assumption is a veiled suggestion that either the krona must be devalued again or the present system of keeping the krona aligned with a trade-weighted "basket" of currencies must be abandoned.

The krona so far has not followed the adjustment against the D-mark effected earlier this month by the weaker currencies in the European Monetary System.

The background for the federation's assumption is the disappointing performance of Swedish exports since the 10 per cent devaluation of the krona in September last year. Market shares have not been recaptured to the degree expected, although the devaluation restored the prices of Sweden's exports to their 1973 level when measured against the prices of its 14 main trading partners.

The problem, according to the federation, is that during the first quarter of this year Swedish prices were still 7 per cent higher than West German prices.

Soviet pacifists appeal for help

By Anthony Robinson in Moscow

THE RECENTLY formed independent Soviet peace movement has appealed for support to the Supreme Soviet, the United Nations Secretary-General, the official Soviet peace movement and other such movements around the world following the house arrest of three of its leading members.

The so-called "Group for the establishment of trust between the peoples and governments of the Soviet Union and the United States," consists of "workers for peace and not breakers of Soviet law," the appeal states.

"Therefore, we are surprised at the victimisation and arrest of supporters, including Sergei Batovrin, Sergei Rosenoer and Vladimir Fleishgakker, who are under house arrest.

"In view of the fact that the establishment of trust is the most necessary prerequisite for peace between peoples, we appeal to you to openly express in the Press your attitude towards our appeal to the governments and peoples of the U.S. and Soviet Union and to the fact of the victimisation of fighters for the establishment of trust between peoples," it adds.

The appeal is signed by seven supporters of the movement which was founded at a news conference in Moscow on June 4, and now has more than 65 supporting signatures. Ten of the original 11 founding members have been interrogated and signatories have also been called in to their local magistrates and warned about the risk of losing their jobs or their right to stay in Moscow if they persist.

Up until now, the fledgling peace movement has received no support from similar peace movements in the West, although President Ronald Reagan acknowledged its existence during his speech at the UN special disarmament session in New York last week.

"At the very time the Soviet Union is trying to manipulate the peace movement in the West, it is stifling a budding peace movement at home," he said.

Turkish forces round up terror suspects

ISTANBUL — An anti-terrorism military squad has arrested 15 people on suspicion of involvement in a left-wing conspiracy near here.

The Golcuk fleet base and martial law command said those arrested here suspected of having links with "Dev-Yol" (Revolutionary Path), an armed left-wing group active before the military takeover in 1980.

They were arrested in a series of raids in the nearby province of Sakaraya. They will be charged with attempted armed seizure of power, violation of firearms laws, staging illegal demonstrations and writing political slogans on public walls.

The military authorities say they also found three pistols, 16 cartridges and "various banned left-wing books."

Hundreds of Dev-Yol's alleged members are still in prison, awaiting trial.

AP

James Buchan in Bonn reports on prospects for Nato's largest army in Europe

W. German defence needs men and money

THIS WEEK Herr Hans Apel, the long-suffering Defence Minister in a crippled West German coalition government, presents a report to Parliament on the long-term future of the West German armed forces (the Bundeswehr).

The opposition Christian Democrats claim that the report, prepared by a commission of officials and independent experts, has been toned down since its more appalling predictions, and its more revolutionary solutions to them would have been too much for the tender ears of Herr Apel's Social Democrat party.

Whatever the truth of the Christian Democrats' claim, the document that will be presented to Parliament, probably tomorrow, wil make fairly uncomfortable hearing. For, if present financial constraints persist, Nato's largest army in Europe wil have difficulty fulfilling its Alliance role or providing a credible deterrent to the mounting strength of Warsaw Pact forces in the late 1980s and 1990s. Meanwhile a growing shortage of young men available for conscription will make the present peacetime strength of the Bundeswehr, at 495,000 men, seem like a dream.

In these conditions, the very Nato concept of "forward defence"—in effect, the defence of West Germany to its border—comes further into question and with it an additional shift of the burden of deterrence onto the nuclear option, with all that entails for squabbles within Nato and political difficuties for for European governments.

The commission, which includes such independent experts as Dr Christoph Bertram, director of the International Institute for Strategic Studies in London, was set up last year under intense pressure from Parliament. According to preliminary documents leaked earlier this year, a premise for the study was that there would be no real increase in defence spending over the 1981 level of DM 42bn (£9.8bn). This amounted to 17 per cent of the total budget that year (compared to an equivalent 24 per cent in 1969).

According to the leaked documents, higher costs for personnel, equipment and materials would entail, as early as next year, a reduction in operations and/or in numbers and a shortage of "peripheral" equipment and munitions.

In the 1990s, the maintenance of a "politically relevant" peacetime force even of 450,000 will become impossible and, if a figure of only 400,000 could be attained, this would be largely a training army.

Even then, these documents argue, just to keep up an army of 36 brigades will require a massive attack on the airforce, while to maintain the Luftwaffe at something like its present strength would require the dissolution of nine, and consolidation of a further eight, army brigades.

Herr Peter-Kurt Wuerzbach, the defence spokesman of the Christian Democrats, claims that severe deficiencies are already appearing because of the coalition's miserly approach to defence. "Apel was a misfortune for defence. He never wanted the job and he never stood up for the Bundeswehr in the defence or budget committees."

Although the central weapons systems for all three arms are going ahead more or less as planned — though production of the Tornado multi-role combat aircraft for the Luftwaffe has been slowed down — Herr Wuerzbach claims peripheral systems and munitions, control and training are being starved of funds. "What kind of policy is this when you have Tornado airfields but inadequate missile air defence for them?"

Yet the Social Democrat-Free Democrat coalition is in a dilemma. Last year, it nibbled at the problem of mounting costs by axeing 1,000 training grounds and cutting down on fuel consumption. But the overall budget for next year, now being disputed by the coalition parties, is set to see only a small nominal increase over 1982.

Defence spending is unpopular with the Social Democrat left while the Free Democrats are likely to insist on economies to restrain public sector borrowing (DM34bn this year) as a condition for remaining in a coalition which is destroying their electoral following. Herr Wuerzbach admits that even the Christian Democrats would have to tackle the state finances — and win over the growing number of West Germans with grave misgivings about armaments — before increasing defence spending.

If this were not enough, the Bundeswehr faces a crisis in recruitment because of what is known in German as the *pillenknick*: that is, the sharp drop in family size that followed the spread of oral contraception in the late 1960s. The Bundeswehr neds at least 220,000 conscripts a year, but by 1986-87 there will be only 200,000 young West German men coming into their conscript year.

According to the original leaked documents, even a reduced peacetime froce of 450,000 men could only be maintained in the 1990s if there is a sharp improvement in its status in popular opinion, better conditions for volunteers and and a new conscription policy. This last entails:

- An increase of the conscription term from 15 to 18 months and then to 21 months in the 1990s
- the induction, for the first time, of women volunteers numbering some 10,000
- conscription of 20,000 foreigners.

Herr Apel (left): higher personnel costs

Conscripts may have to serve for longer

BONN—Conscripts must serve longer than 15 months in the West German armed forces if the Bundeswehr is to maintain its strength of 1.2m well-trained and equipped soldiers in the 1990s, Herr Hans Apel, the Defence Minister, said yesterday.

"Personnel and arms are the major factors in Bundeswehr performance," he told a news conference during which he presented the results of a commission report about the forces' needs during the next decade.

The Bundeswehr has 495,000 men under arms at all times. Another 705,000 can be called up within several days.

Interpreting the commission report, Herr Apel was not prepared to accept for granted the continuous price rises for new weapons systems. "Before new largescale (weapons) systems are developed, there must be an investigation and reports on less elaborate possibilities to maintain the equipment of our forces and to strengthen their defensive potential," he said.

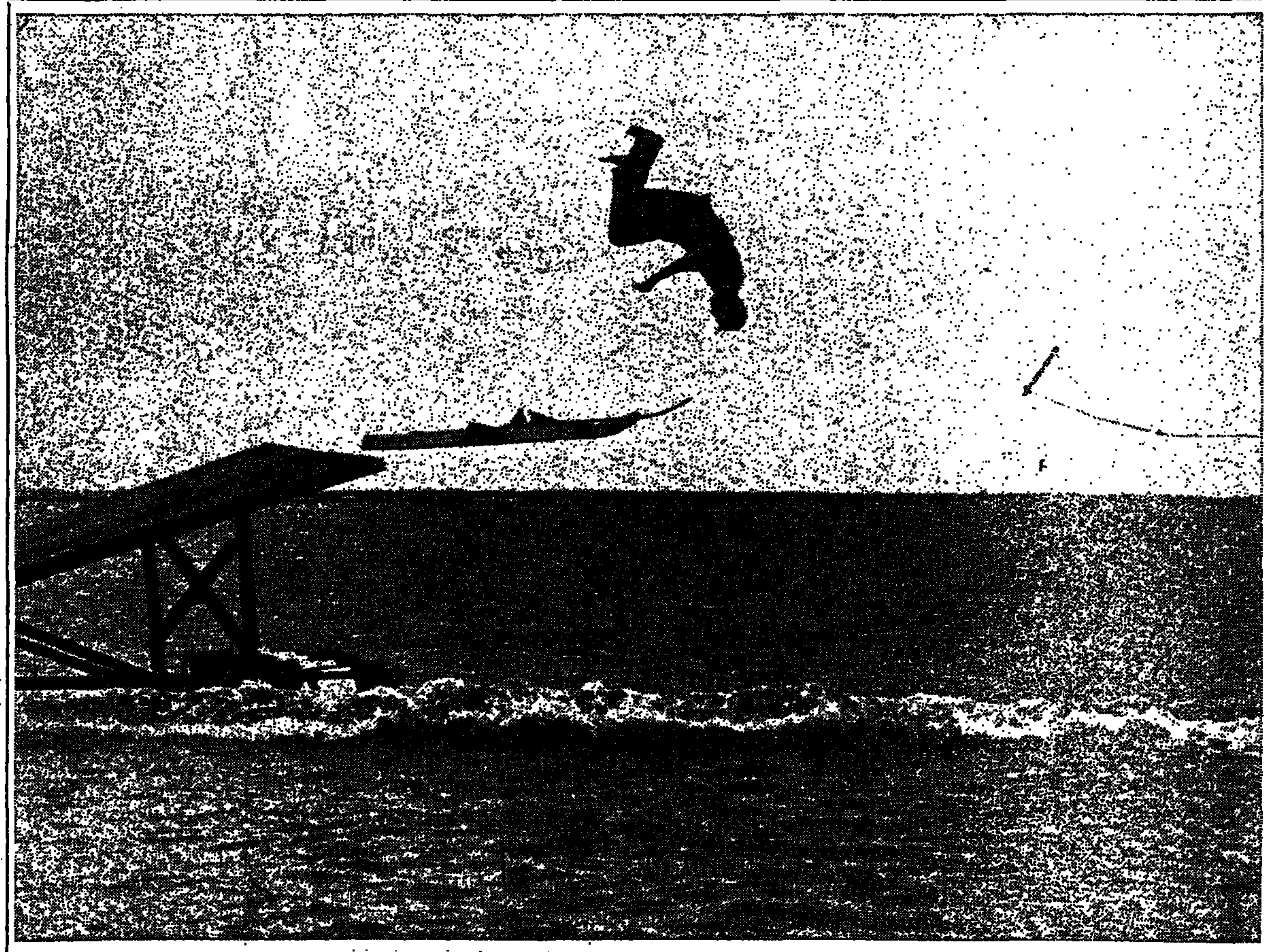
The survey was ordered by his ministry to investigate how the Bundeswehr can best meet its future personnel and weapons needs within the framework of its Nato tasks. It concludes that the legal preconditions must be created to prolong the service period for conscripts to make up for the years in which the West German birth rate was lower than average.

The commission also proposes tightening existing rules exempting young men from service, and to investigating the possibility of drafting young women into non-combatant services.

Herr Apel rejected for the time being a suggestion to draft into the Bundeswehr young foreigners who live in West Germany. "But one thing is clear today already: the measures as a whole will increase the forces' personnel costs," he said.

"The main thing will be to make the equipment of the 1990s affordable. The quality of equipment reached up to now and until the middle of this decade is high compared within the alliance and in comparison with the troops of the Warsaw Pact," Herr Apel said.

AP



THE WAR IN LEBANON

Fears grow over civilian casualties in Bekaa valley

BY PATRICK COCKBURN IN THE BEKAA VALLEY

THERE ARE growing fears in Damascus that civilian casualties from Israeli air raids in the Bekaa Valley in eastern Lebanon are far higher than originally thought, with estimates of the dead ranging up to 1,200. Medical teams in the area are still trying to produce figures for the dead and wounded.

Many of the casualties were caused when Israeli fighter bombers attacked vehicles on the road connecting Baalbek with Shtaura. Schools in the Baalbeck region have been taken over by refugees believed to number 25,000.

In addition to attacking Syrian anti-aircraft missiles sites in the Bekaa, the Israelis seem to have made a full-scale effort to cut the telephone lines beside the roads. "Only the hash crop has not been damaged," said one observer.

The Red Cross in Damascus said yesterday it could give no figures for casualties and accurate estimates are difficult "because moslems bury their dead so quickly."

Two burnt-out trucks at the exit to the mountain defile where the road from Damascus leads into the lush meadows of the orchards of the Bekaa valley mark the beginning of Lebanese territory on the vital highway to Beirut.

The Lebanese customs post is largely destroyed, the buildings shattered and scorched by bombs. Big metal containers, once used by money changers, are shuttered and deserted. The road leading through the valley and then twisting up into the mountains beyond is occasionally pitted by bomb craters and littered with the carcases of cars and trucks.

The Syrians make a point of removing back to Damascus the gutter remains of many of their tanks and armoured personnel carriers, caught in the Israeli air attacks.

Over the weekend there were few signs of the Syrian army in the mountains west of Bekaa where they would normally expect to be in force. I was stopped by only one Syrian road block and that was because a Syrian soldier wanted an air-mail letter to be posted in Damascus.

Aley, a leafy town set high in the hills 12 miles from Beirut and a centre of the Moslem Druze sect, was quiet but very tense. Its inhabitants were staying inside their shuttered houses. Some of the local hotels are burnt out. The town may now come under renewed Israeli attacks because, an Israeli spokesman said yesterday, Aley is becoming a centre of Iranian and Jordanian volunteers who come to support the Palestinians.

A number of people in the town, including a Red Cross worker, said there were some strange soldiers in the area, but not in the numbers mentioned by the Israelis. The road to Beirut was cut and diplomats now say that Aley is isolated to the east by Syrian road blocks.

The local al Iman hospital had been hit by four Israeli bombs according to the hospital administrator. Two of his staff had been killed and others seriously wounded. A 22-year-old operating room assistant named Jawdat Amur gestured with the stumps of his hands, only two of his fingers remaining, as he tried to explain what had happened when the bombs landed. "I never lost consciousness," he said with pride.

The 60-bed hospital had received 500 patients in five days at the height of the fighting, said Mr Mohammed Sabra Awar, the hospital administrator, two thirds of them soldiers, the rest civilians. He said that many of them were suffering from the effects of cluster bombs dropped by the Israelis.

Despite Israeli claims that many Iranians are now around Aley it is believed in Damascus that few of them have actually entered Lebanon.

Reports suggest that there are 2,100 Iranian volunteers in mixed groups of regular troops and revolutionary guards. "I don't think the Syrians would let them get too close to the front," said one diplomat yesterday.

The capture of Aley would, however, strengthen Israeli control of the Beirut end of the highway to Damascus. It would also give them greater leverage on the Druze sect, which has a militia of some 6,000 men, and was formerly allied to the Palestine Liberation Organisation.

An Israeli officer checks Lebanese identification papers before allowing travellers to continue further south

Israel rebuffs EEC plea for assurances

BY JOHN WYLES IN LUXEMBOURG

ISRAEL HAS rebuffed an attempt by EEC Governments to secure assurances that Jerusalem has no territorial ambitions in the Lebanon nor any aggressive intentions against other arab States, including Syria.

The Ten sought undertakings on these and other points through ten questions submitted to Jerusalem last week. The Israeli reply was described as "unsatisfactory" yesterday by both Mr Francis Pym, the British Foreign Secretary, and his Belgian counterpart Mr Leo Tindemans, who is also President of the EEC Council of Ministers.

In a cautious report on the discussions by EEC foreign ministers on the Middle East crisis, Mr Tindemans said that the ten were following the situation in the Lebanon with "anxiety."

Following his recent tour of Middle East capitals, Mr Tindemans compiled a 35-page report which could form the basis of a possible declaration by the EEC heads of Government summit meeting in Brussels next Monday and Tuesday.

Meanwhile, there were conflicting indications from various delegations as to whether the ministers had discussed possible sanctions against Israel. Mr Pym said that the ten had not come to any formal conclusions. It was in ministers' minds and the possibility of an arms ban "is still under dicussion," he said.

Although individual countries may be considering halting arms supplies to Israel, general EEC economic sanctions appear to be out of the question since both West Germany and the Netherlands are deeply opposed.

However, the UK, France and Greece all favour backing up the EEC's condemnation of the Israeli invasion and its call for an Israeli withdrawal from the Lebanon with stronger measures than those taken so far. Until now, the EEC's main reaction has been to delay signature of a £22m financial protocol with Israel which was due last Monday.

In a statement yesterday on the EEC's ten questions, Israel said that it refused to consider any form of pressure. The answer to many of the questions could be found in the various declarations which the Israeli government had made.

The statement went on to emphasise that a political settlement in the Lebanon must make impossible a return to the conditions prevailing before June 6—a reference to Israel's determination to remove any further risks of Palestinian attacks on its settlements close to the Lebanese border. The statement added that an unconditional Israeli withdrawal before a political solution was reached was "inconceivable."

The EEC's questions underline the EEC's objectives of securing free passage of humanitarian aid to the Lebanon, preventing the conflict widening to embrace other Arab states and to push Israel towards a peaceful settlement of the Palestinian problem.

Israel was invited to assure the EEC that it recognised Lebanese sovereignty and the frontier between Lebanon and Israel, that it had no desire to annex nor occupy any part of the Lebanon, that it would not interfere in the Lebanon's internal affairs, that it had no hostile intentions towards the Palestinian people and that it had no offensive intentions against neighbouring countries including Syria.

Lebanese flee W. Beirut as battle prospect looms

KHALDE, Lebanon—Thousands of Lebanese refugees are streaming out of west Beirut to escape a possible bloody battle between Israeli invasion forces and Palestinian guerrillas holed up inside the city.

Hundreds of cars, trucks and old buses packed with bedding and household belongings were heading south into Israeli-controlled territory through the narrow, twisting mountain roads outside the Lebanese capital as Israeli forces tightened their noose on the encircled city.

Traffic jams several miles long built up as Israeli checkpoints inspected cars and identity papers near Khalde, where the mountain road joins the main highway to the south.

Other refugees were taking advantage of the present tenuous ceasefire to move into Christian-controlled east Beirut.

"The Palestinians are finished," one Lebanese shouted at a foreign reporter.

Nearby, an Israeli soldier sitting atop his dust-caked tank smoked a cigarette and others were washing under a makeshift shower as more armour rolled up the road near the airport.

Many of the Lebanese leaving the city were smiling and joking as they waited patiently in the sun. But they all believed that an Israeli attack was imminent.

In southern Lebanon, Israeli officials were playing down the impact of Israel's massive bombardment of Tyre and Sidon, where hundreds of houses have been ravaged in air and artillery strikes.

Along the southern highway, lined with orchards and banana groves, refugees whose houses had been wrecked were collecting what belongings they could salvage as people from Beirut joined the homeless.

Reuter

Plan for higher ceiling on Opec output likely

BY RICHARD JOHNS

A HIGHER ceiling on output by member of the Organisation of Petroleum Exporting Countries is likely to be recommended by the ministerial monitoring committee when it meets early next month in Vienna.

The four-man committee headed by Dr Mana al Otaiba, United Arab Emirates' Minister of Oil, will have little choice but to recognise that member states' actual production is already surging above the ceiling of 17.5m barrels a day effectively set in March.

The present rate is believed to be around 18m b/d, with Iran, Nigeria and Libya all exceeding the quotas agreed by the majority. Over the second quarter, however, the average should be within the ceiling.

In practice, Opec should be able to contemplate and sanction a modest increase without endangering the $34 per barrel reference. The International Energy Agency has forecast a demand for members' oil during the third quarter of 19.6m b/d, rather more than the top level of the 18.5m-19.5m range anticipated by the organisation's experts.

Saudi output, having dipped below 6m b/d over the month of June, has edged back to 7m b/d. The only member significantly below its quota is Iraq, at about 800,000 b/d compared wit ha 1.2m b/d permitted under the March agreement.

Iran, which never subscribed to the agreement, is producing some 2m b/d, up to 1.7m b/d of it for export, compared with an allocation set by the majority of 1.2m b/d. Its shipments will be further boosted by contracts for 60,000 b/d signed last month with a group of five Japanese companies.

Nigeria's output is reported by Petroleum Intelligence Weekly to have touched 1.75m b/d compared with a quota of 1.3m b/d, although the volume has been swollen by companies seeking to fulfil contractual obligations before the end of June and is expected to drop next month.

Libyan output has recovered to the extent that it is understood to be running at 900,000-1m b/d. The process has been encouraged by an easing of financial terms for the state's main equity partners.

At the weekend, meanwhile, Sr Humberto Calderon Berti, Venezuelan Minister of Energy and Mines, called for special consideration to be given to Iran and Iraq when the Gulf conflict finally comes to an end. Opec should examine ways of accommodating increased output by Iran and Iraq which could jeopardise a sustained market recovery, he said.

Within Opec there is some concern that a strenuous and early attempt by these two producers to make up for lost revenue could undermine the collective effort of the past four months to defend the official Opec reference. Together they have the capacity to produce over 8m b/d compared with the current rate for the two of them amounting to about 2.8m b/d.

But with Iraq's Gulf terminals and installations destroyed it would be many months before it could raise its exports above the 800,000 b/d to which its pipeline system to the Mediterranean has been limited by Syria's decision to stop the flow across its territory to Banias and Tripoli.

Iran dismisses Iraqi bid to end war in the Gulf

LONDON—Ayatollah Khomeini said yesterday Iran will continue the Gulf war until all its demands are met, despite Iraq's decision to withdraw its invasion force, Teheran radio said.

The radio, monitored in London, quoted a speech by the Iranian revolutionary leader in which he said an announced Iraqi withdrawal on Sunday was only one of five Iranian conditions for ending the 21-month-old war.

Iran has also demanded war reparations, the removal from office of President Saddam Hussein, the return home of exiled Iraqi dissidents and the right to send Iranian troops through Iraqi territory.

Observers believe, however, that by removing his army from Iranian territory, President Hussein has sharply reduced the amount of pressure Teheran could bring to bear on Baghdad.

The Iraqi President indicated as much when he said in his speech that the ruling Revolutionary Command Council had taken the decision to withdraw "to remove an important pretext being used by the notorious regime in Teheran to continue the war."

The announcement of an unconditional Iraqi withdrawal from Iranian territory came in a speech by the Iraqi president. He said it would be complete within 10 days.

It followed a series of Iraqi reverses in which Iran's forces recaptured most of the territory occupied by Iraq in the war. Iran has continued to shell targets in southern Iraq despite Iraq's decision to cease fire earlier this month.

Ayatollah Khomeini said yesterday: "If he (Hussein) is telling the truth, this is only one of our conditions. We have several other demands which must be met. If these conditions are not met, we will continue the war."

He said Iran had called for war reparations but he put no figure on how much Iran was demanding. Senior Iranian officials have estimated the cost of the war to Iran at $150bn.

Ayatollah Khomeini said: "If these reparations are not paid we will continue the war and get them by force."

Reuter

Nairobi plans spending cuts

By Our Foreign Staff

THE combination of rising oil costs and falling revenue from coffee and tea has hurt the Kenyan economy, the country's Finance Minister, Mr Arthur Magugu, told Parliament last week in his 1982-83 budget.

The anticipated K£83.6m (£88.1m) deficit for the year would be financed by short-term borrowing and increased taxes, including higher import duties.

The economic survey for 1982, released shortly before the budget by the Ministry of Economic Planning, forecast economic growth for the year of 4.5 per cent—only 0.6 per cent above the country's annual population increase.

Although gross domestic product had risen in real terms by 4.8 per cent in 1981—mainly due to an increase in food output—foreign reserves had fallen for the second year in a row, and current reserves covered only two months' imports.

Mr Magugu said he intended to cut the budget deficit from 7.5 per cent of gross domestic product to 6.5 per cent by the end of June 1983.

Inflation, which was nearly 13 per cent last year, is expected to exceed 20 per cent in 1982.

Kenya's two main cash crops, tea and coffee, accounted for more than 30 per cent of export earnings last year, and production has been stagnant at a time when international prices are poor.

According to the recently released annual review of the country's Central Bank, Kenya's balance of payments deficit increased from K£72.3m (£76.2m) in 1980 and K£91.6m (£96.6m) last year.

ANC to intensify military action

SALISBURY—Mr Oliver Tambo, exiled South African nationalist leader, said yesterday, his African National Congress (ANC) is moving from sabotage attacks to direct clashes with South Africa's military forces.

Mr Tambo, ANC president, said the ANC realised sabotage alone would not defeat South Africa's white-minority government, South African authorities have attributed a recent wave of sabotage attacks to ANC

Mr Tambo was speaking in an interview in the pro-government Herald newspapers after a tour of Frontline states.

He is due to return to Nairobi on Monday after three days in Zimbabwe during which we met Mr Robert Mugabe, Prime Minister, and Mr Witness Mangnende, Foreign Minister.

AP

Kampuchea's factions near tripartite coalition deal

BY JONATHAN SHARP IN KUALA LUMPUR

KHMER ROUGE leader Khieu Samphan relaxed in his first-class seat on a Malaysian airliner heading for Kuala Lumpur yesterday and pronounced: "The Minister of Foreign Affairs, c'est moi."

In this terse statement—which is about all he would say to a flock of economy-class reporters who invaded his luxurious privacy—Khieu Samphan touched on one of the many issues of power-sharing which has bedevilled the formation of the much-debated coalition of anti-Vietnamese forces in Kampuchea.

Today those problems will see at least a temporary resolution when Khieu Samphan, as the Khmer Rouge's representative, gets together in the Malaysian capital with former premier Son Sann and former head of state Prince Norodom Sihanouk to sign an agreement on forming a coalition government.

It is an accord which has had a difficult birth. Since last September, the three factions have been bickering over the terms of the coalition, much to the frustration of the five members of the Association of Southeast Asian Nations (Asean) which have been trying to prod the Kampucheans into an alliance. Asean links Thailand, Malaysia, Singapore, Indonesia and the Philippines.

While united in their opposition to the three-and-a-half-year-old occupation of their homeland by an estimated 200,000 Vietnamese who drove the Khmer Rouge from power after their disastrous period in office, the Kampucheans have been able to agree on little else.

In particular, the staunchly anti-communist Son Sann has been fearful of being swallowed up by the Marxist and much more powerful Khmer Rouge, who have about 30,000 men under arms and form the main fighting force.

At least until recent weeks, Son Sann had been pressing for the foreign affairs portfolio in any coalition government. But, as Khieu Samphan underlined, he did not get it.

Under a draft agreement hammered out in Thailand, Khieu Samphan becomes vice-president of the coalition with responsibility for foreign affairs.

Son Sann resumes his old post of premier, while the president of the grouping will be the mercurial Prince Sihanouk, who commands much the smallest armed following of the three factions, but is recognised as having more international stature

On the face of it, the Khymer Rouge will have come out of the coalition negotiations well. As well as Khieu Samphan having responsibility for foreign affairs, the draft agreement says that if the coalition falls apart after six months, the Khymer Rouge would retain the Kampuchean seat at the United Nations, which it still holds, and the other two groups would revert to their former status in virtual international limbo.

Hanoi's reaction to agreement on a Kampuchean coalition has been predictably hostile. Some diplomats are speculating whether the Vietnamese will launch a military strike against the guerrillas.

Two pillars of Afrikaner business are fighting over the future of a mining house. **Our special correspondent** reports

Sanlam vs Rembrandt—South Africa's brothers fall out

THE TWO pillars of the Afrikaners business establishment, Sanlam and Rembrandt, are locked in battle over the future direction and management of the mining house Gencor. Far from being relegated to the financial pages, this struggle has made front-page banner headlines here, for reasons that go back into the history of Afrikaner business in South Africa.

Shortly before the end of the First World War the insurance company Sanlam—now the country's second largest life assurer—was established not only to carry out normal insurance business but also with the aim of channelling the small savings of Afrikaners.

For many years, Sanlam appealed to the Afrikaners' nationalism as a means of business development. Its aim to bring as many investments and corporations as possible under Afrikaner control.

Meanwhile, in 1918 three young Afrikaners had joined together to form an association destined to become the most influential secret organisation in South Africa's history: the Broederbond. Its aims were to promote Afrikaner domination of the country's politics ... and economy. Its influence is such that its membership includes not only every Prime Minister since the National Party won power in 1948, but also the present heads and senior management of all public sector corporations

A close relationship was developed between the Bond and Sanlam at a very early stage. Broederbonders worked to promote Sanlam and Afrikanerdom's major banking institution, Volkskas — founded by Broederbonders in 1934—as well as the business ventures of its members.

When Mr Anton Rupert, a Bond member, set up his Voorbrand Tobacco Corporation—the predecessor of the Rembrandt Group — in the 1940s it was sponsored by the Bond. And once the National Party gained power in 1948, with it the control of the country's nationalised industries, the stage was set for Rembrandt's growth into the multi-national tobacco and liquor giant it is today.

South Africa is too small a market to support an independent tobacco company. Rembrandt, in order to fight the foreign tobacco groups effectively, had to expand overseas, which it did worldwide.

Unlike Sanlam, which is rarely satisfied with less than 50 per cent of the equity in those companies it controls, Rembrandt believes that effective control can be exercised with as little as, for example, 30 per cent.

This difference in strategy of philosophy is where the present fight over Gencor has its roots. Afrikanerdom's first controlling interest in mining was through Federale Mynbou, a small producer of coal in the early 1950s. With help from Bond members in the railway system Federale Mynbou managed to start coal exports to Ireland, and in 1957 it was enabled to quadruple its coal production thanks to a contract to supply coal to Escom—again, a Broederbond-dominated parastatal.

Federale Mynbou's growth might still have been pedestrian, based as it was entirely on coal, except that in 1965, with the positive assistance of Anglo American, it gained control of the then troubled and poorly-managed mining house General Mining. Sanlam's money was behind the acquisition and the outcome was that Sanlam acquired more than half of Federale Mynbou's equity capital.

The next step was not so easy. To push General Mining into a prominent position in the country's mining industry, growth by acquisition was necessary. This possibility came in 1974 when it became obvious that control of the then — independent Mining House Union Corporation was up for grabs.

The only Afrikaner group with the necessary foreign financial muscle was Rembrandt

GFSA gave up its bid and eventually, Union Corporation became wholly-owned by General Mining to form the group now called General Mining Union Corporation or, in its abbreviated form, Gencor. However, the price was that Rembrandt acquire a 25 per cent stake in Federale Mynbou, with another 10 per cent being held by Volkskas. Since then, Rembrandt has acquired half of the Volkskas, interest, pushing its holding up to 30 per cent.

At the same time Rembrandt may well have believed that its large minority position in Federale Mynbou made it a "partner" of Sanlam in the mining group.

The situation might perhaps have continued as an armed truce had a disagreement not developed 18 months ago between Gencor's chairman, Dr Wim de Villiers, and Sanlam's chairman, Mr Andreas Wassenaar. Needless to say, both of them are Broederbond members.

Gencor had granted shareholders loans of about R2m (£1.02m) to a small computer bureau: Unicom Digital Developments, managed by Mr Wassenaar's son Dirk. It appears that Dr de Villiers was unaware of the Wassenaar family connection or of the fact that the head of Sanlam had provided personal guarantees for his son's company. When Dr de Villiers decided to call a halt to the outflow of Gencor funds into Unicom and call up loans already made, Mr Wassenaar, understandably, screamed blue murder.

The outcome, according to a source close to Rembrandt, was that Dr de Villiers was overruled by Mr Wassenaar and that Gencor wrote off about R2m of its loans and investments. None of this — not even the fact that an interest was held in Unicom — ever appeared in Gencor's annual reports.

A start was made by forcing Dr de Villiers to vacate his post as Sanlam's deputy chairman, where he was seen as Mr Wassenaar's heir apparent. He was followed, briefly, by Dr Ettienne Rousseau, yet another Broederbonder,

Dr Rousseau quickly fell out with Mr Wassenaar and ceased to be deputy chairman of Sanlam after six months. His place was taken by — yes, another Broederbonder, Dr Fred du Plessis, the head of Bankorp and Trust Bank. There is little love loss between Dr du Plessis and Volkskas.

When Trust Bank, the creation of yet another Broederbonder Dr Jan Mapais, was foundering some years ago, Volkskas refused to come to the rescue, fearing that Trust Bank's problems might undermine its own foundations.

The Wassenaar-de Villiers fight took another turn when according to the Rembrandt camp, Dr de Villiers refused to sanction a share incentive scheme in Gencor for Dr Bill Coetster — also a member of the Bond — which was to be retrospective to 1972.

By the end of last year, the antagonisms boiled over. When Dr de Villiers was known to be suffering from a heart complaint, moves were set underway to remove him from the Sanlam board and from the chairman's seat at Gencor. But Dr de Villiers recovered and, with the help of Rembrandt, successfully fought his removal.

According to the articles of association of Federale Mynbou and Gencor, Sanlam could not simply fire Dr de Villiers. And when, earlier this year, Sanlam tried to change Federale Mynbou's articles to increase from 12 to 15 the number of the company's directors as a prelude to outsing Dr de Villiers, Rembrandt stepped in and used its 30 per cent votes and the 5 per cent held by Volkskas to prevent the articles being changed.

The situation is now something of a stand-off. Sanlam is preparing to call a shareholders' meeting to alter the articles of association of Federale Mynbou and Gencor—something which will require a simple majority vote. Rembrandt, for its part, is threatening legal action. Privately it concedes that it could be the loser in a legal battle, but the threat of much of Afrikanerdom's business linen being washed in open court might persuade Sanlam into a compromise.

● GENERAL MINING UNION CORPORATION: South Africa's second largest mining house. Main interests: gold, uranium, platinum, coal and numerous industrial industrial companies Taxed profit in 1981: R408.7m (R334.7m). Total assets at end-1981: R2.9bn.

● REMBRANDT GROUP South Africa's fourth largest industrial company and leading international tobacco and liquor concern. Has joint control of Rothmans of Pall Mall. Taxed profit in 1981: R150.1m (R115.3m). Assets: R1.2bn.

● FEDERALE MYNBOU: Investments mainly in coal before acquiring control of General Mining in 1965. Now mainly a finance and investment company, whose interests are centred on Gencor. Taxed profit in 1981: R409.1m (R334.6m). Total assets at end-1981: R2.9bn.

● SANLAM: South Africa's second largest life assurance company with substantial investments in banking, industry, property and mining. Has minority stakes in local subsidiaries of Siemens and GKN. Premium income in year to September 1981: R634.1m (R529.4m). Assets: R3.0bn.

Major gold mine loses state subsidy as price slides

BY J. D. F. JONES IN JOHANNESBURG AND GEORGE MILLING-STANLEY IN LONDON

THE CONTINUING fall in the gold price is now causing acute concern to South African officials and economists, as well as to the mining industry.

Yesterday's London afternoon fixing of $296.75, and the fall below the psychologically-important $300 barrier, has provoked speculation that the price could move steadily down to $275 or even $250.

As a result of the fall, the General Mining Union Corporation's veteran gold producer, West Rand Consolidated, has been told by the Minister of Mineral and Energy Affairs that it will receive no state assistance from January 1 next year.

South Africa's state aid scheme for the country's gold mines, which provides financial assistance to keep mines in operation during times of price weakness, has long been the envy of the mining industries of other countries.

The scheme is currently helping six of the country's 47 gold producers. But its administrators have decided that the West Rand Consolidated's break-even gold price of $554 per ounce, which demands a high level of assistance, is no longer economic.

The only redeeming factor for the mining houses is that the rand continues to depreciate against the dollar. It lost ground again yesterday and, closing at 88 cents, has achieved an effective devaluation against the dollar of over 33 per cent since the beginning of 1981.

The significance of this for the mines is that their costs are calculated in rands: evidently, when denominated in rands, the decline in the gold price has been considerably cushioned over the period since January 1980 when the gold price peaked at $850.

GNP estimates suggest U.S. recession is over

BY ANATOLE KALETSKY IN WASHINGTON

THE RECESSION in the U.S. economy appears to have ended sometime in the past three months, according to a preliminary estimate of gross national product released yesterday by the U.S. Commerce Department.

The department estimates the economy grew at an annual rate of 0.6 per cent in the second quarter (April to June) of this year after contracting at an annual rate of 3.7 per cent in the first quarter.

The first quarter figure is a slight improvement on the department's initial estimate, which indicated a contraction of 4.3 per cent.

Administration officials said that yesterday's preliminary figures were bound to be revised and that the positive growth rate for the second quarter could easily turn out to have been a slight contraction.

Nevertheless, it is becoming increasingly clear that the worst of the economic downturn which began last July 15 is now over.

Most economists believe the rest of this year is almost certain to show a significantly improved growth rate.

Their confidence is based on the fact that about $45bn will be added to personal incomes from July 1 onwards, as a result of the 10 per cent tax cut and 7.4 per cent increase in social security pensions announced by the Reagan Administration.

Mr Donald Regan, the Treasury Secretary, said recently that he expected growth at an annual rate of about 4 per cent in the second half of the year.

Beyond that, however, the outlook becomes more hazy because of uncertainties over interest rates.

Despite the upward revision in the first quarter's GNP figures, yesterday's Commerce Department statistics showed a further deterioration in corporate profitability.

Profits fell by 18 per cent in the first quarter, rather than 17.5 per cent as originally estimated.

Chilean government to sell seven state-owned companies

BY MARY HELEN SPOONER IN SANTIAGO

CHILE'S military government is to sell seven state-owned enterprises and its shares in at least one mixed enterprise to the private sector.

Salaries of government officials are also to be reduced by 10 to 20 per cent.

General Augusto Pinochet, the four-man military junta and all government officials earning more than 150,000 pesos (£2,176) per month will take a 20 per cent salary cut.

Officials and employees earning over 100,000 pesos per month will take a 10 per cent cut.

In talks on new labour contracts, the regime has also eliminated a provision in its labour code which guarantees automatic wage and salary increases in line with Chile's consumer price index.

The state enterprises to be divested include Chile's steel company, the state electricity and telephone companies, a telex company, a pharmaceutical corporation, a shipping company and one bank.

In addition, the Government will sell off its shares in the oil and gas company Copec.

The Pinochet regime began to divest itself of the greater part of Chile's state enterprises in 1976, turning much of its economic activities over to the private sector.

The Government retains control of the state copper corporation Codelco, which operates the four largest mines in Chile, despite earlier calls by some civilian cabinet members for privatisation.

The new economic measures were approved last week, a few days after General Luis Danus, the Economy Minister, made a surprise announcement that the peso would be devalued from 39 to 46 to the U.S. dollar.

The peso was set at its former exchange rate three years ago, and Chilean officials have repeatedly denied any plans to devalue.

The Government has also imposed a 10 per cent tax on tobacco and raised the wages of workers in its Minimum Employment Programme. They have been earning 1,300 pesos per month in full-time menial jobs. The new wage is to be 2,000 pesos per month.

Approximately 4.5 per cent of Chile's labour force has been absorbed by the Minimum Employment Programme. They are not included in official unemployment figures.

The Government appears to have abandoned any idea of a general reflation in wages to help combat Chile's rising unemployment.

The official National Statistical Institute has estimated that unemployment is 17.4 per cent in Greater Santiago. The University of Chile's department of economics—which is generally considered to produce more reliable figures—has estimated unemployment at 19.1 per cent in Greater Santiago and 18.4 per cent nationally.

William Chislett reports on El Salvador three months after the elections

Reforms blunted as bloodbath continues

THE DELIVERY of six jet fighters to El Salvador last week by Washington is a clear indication that the new government of the Central American republic is "intensifying its efforts to beat the guerrilla forces. At the same time, the two U.S.-trained crack Salvadorean batallions, Atlacatl and Belloso, numbering 2,000 troops, are sweeping through the countryside in a massive drive to rout them out.

The A-37 fighters, equipped with 7.62mm machine guns and able to take up to 3,000lbs of bombs and rockets, and four reconnaissance aeroplanes, were a $25m (£13.8m) gift from the Reagan Administration to replace helicopters and fighters destroyed by the guerrillas.

Three months after the much-heralded elections, the cornerstone of U.S. policy towards returning the country to democracy, fighting between the army and well-trained guerrillas is as ferocious as ever. Scores of civilian non-combatants are still murdered every week in the most gruesome fashion by right-wing death squads.

Over 30,000 people have been killed since the bloodless coup by liberal officers against the military dictatorship of Gen Carlos Humberto Romero in 1979 plunged the country into anarchy. The political situation has now come almost full circle. The extreme right and its military allies are back in power, the land reform programme has been blunted and Washington's policy is under renewed attack in the U.S. Congress.

U.S.-trained troops arrive in San Salvador

The Senate Foreign Relations Committee has proposed that military aid to El Salvador be cut by $100m next year, to $66m, the current level, because the country's right-wing dominated constituent assembly is trying to roll back the Washington-supported reforms. The U.S. Congress has made further military aid conditional on the reforms going ahead.

The assembly suspended the "Land to the Tiller" law which permitted peasants to buy the small plots they have been renting since the breaking up of large estates started. Legislators argued that the move was needed in order to boost production, since farmers have allowed their land to become fallow for fear that it might be expropriated. Some 150,000 peasant families are already eligible to receive the title for plots. The authorities claim that these people will not be affected.

This move has led the old land-owning oligarchy, some of whose members are returning from self-imposed exile in the U.S., to evict peasants from the land, reportedly in collusion with local military commanders.

The March elections, boycotted by the left and denounced as fraudulent earlier this month by the Jesuit-run Central American University in San Salvador, put the moderately reformist Christian Democrat Government of Sr Jose Napoleon Duarte out of office and returned the right-wing to power under Major Roberto d'Aubuisson, who heads the constituent assembly.

The Arena party of Major d'Aubuisson and three other conservative parties, including the National Conciliation Party which ruled for 18 years, control 36 of the assembly's 60 seats.

Many observers believe that U.S. policy is now boxed into a corner and that Washington has lost a lot of leverage. With their allies, the Christian Democrats, out of power and the right-wing back in harness, Washington's hopes have been dashed for the emergence of a civilised centre to take the wind out of the sails of the guerrilla left.

Since Washington is adamant that the guerrillas will not be allowed to gain power by military means and the door has been closed on a political settlement, the Reagan Administration has to prop up a questionable regime which wants to reverse reforms and exterminate the guerrillas.

Major d'Aubuisson, who will almost certainly run for the presidency in 1984, wants to denationalise the banking system and the state marketing agencies for the country's commodity exports.

The country's interim president, Sr Alvaro Magana, a banker, is a moderate in the Salvadorean context of violent extremes. He is largely beholden to the assembly which is responsible for paving the return to democracy.

The level of violence has not improved since the elections. The opposition Christian Democrats are increasingly in the firing line. Four Christian Democrat mayors have been murdered in the past month—one murdered, along with her daughter, on the day she took office.

Meanwhile, the shattered economy continues to be underwritten with U.S. economic aid, which is just about keeping it afloat. El Salvador is due to get $128m from the total $350m Caribbean Basin development program.

EEC sanctions decision 'will help deter conflict'

BY JOHN WYLES IN LUXEMBOURG

BRITAIN'S EEC partners yesterday produced a vague undertaking to reimpose trade sanctions against Argentina if Buenos Aires triggers a new military conflict in the South Atlantic.

However, Britain now stands alone as the only Community country still operating a trade embargo despite an urgent appeal for continued solidarity from Mr Francis Pym, the British Foreign Secretary.

In taking their decision, Mr Pym's fellow foreign ministers failed to respond to his warning that the British people would not understand why the Community should lift its ban on Argentine imports before Argentina had clearly declared an end to hostilities. Without such a declaration British troops were still at risk, claimed Mr Pym.

Publicly, however, the Foreign Secretary showed no disappointment with the EEC's decision. He stressed the importance of a passage in the ministers' public statement that if there was further conflict "a new situation would arise to which the Ten would have to react immediately."

This meant that the measures would have to be reimposed, asserted the Foreign Secretary, who added that the Ten had not committed themselves to an automatic reintroduction of sanctions because much would "depend on the circumstances of the time."

Their declaration "should help deter the Argentinians from taking any further action," said Mr Pym.

Given the urgent desire of France and West Germany to lift the embargo, Britain was more or less resigned to losing the measures which since mid-May have been applied by all EEC governments except Italy and Ireland.

However, the defection of these two countries and the strong desire of other member states to begin repairing relations with Latin America could make reintroduction of the measures extremely difficult.

Britains' partners took the view that the main objective of their support—repossession of the Falklands—had been achieved and that leaving the measures intact could cause further unnecessary complications with Latin America and financial sacrifices for them all.

The ministerial statement "hoped" that hostilities in the South Atlantic were now at an end and announced that the trade sanctions were being lifted "in the expectation that there will be no further acts of force in the area."

France, West Germany, Italy and the Netherlands are to continue their ban on arms supplies to Argentina for the time being.

Break up of Argentine junta looms

By Jimmy Burns in Buenos Aires

THE PROSPECT of a break-up of Argentina's military regime loomed yesterday as the country's military leaders failed for the third consecutive day to agree on a new President.

Buenos Aires was rife with speculation about possible candidates. The independent news agency Noticias Argentinas said the junta had agreed to propose Argentina's Ambassador to Venezuela, Sr Juan Ramon Aguirre Lanari, if the military commanders continued to disagree on a military man for the presidency.

Political tension appeared to centre on a major power struggle involving the three wings of the armed forces. The three service chiefs—General Cristino Nicolaides of the army, Admiral Jorge Anaya of the navy, Brig General Basilio Lami Dozo of the air force—were reported at the weekend to be deeply divided over the scope of political change that should take place following the Falklands debacle.

Last week Gen Leopoldo Galtieri was sacked as president and replaced by an interim president, Gen Alfredo St Jean.

Leading army officers have been insisting that the replacement of Gen Galtieri should be followed by the removal from the junta of the present navy and air force chiefs.

WORLD TRADE NEWS

Curbs on foreign collaboration in India to be eased

BY DAVID DODWELL AND JOHN ELLIOTT

SOME OF the irksome restrictions on foreign collaboration with Indian companies are being removed in a bid to boost foreign investment in India and improve the country's export competitiveness, Mr Shivraj Patil, India's Commerce Minister, said in London yesterday.

At the same time, a leading Indian Government official called for a "complete change of attitudes" between British and Indian industrialists. Mr S. M. Ghosh, the Indian Government's permanent secretary for industry, said that while Britain remained one of India's leading trade partners, and the foremost foreign investor in India, a "metamorphosis" was needed in the relationship if this was to remain the case.

The two speakers were in London for four days of discussion on Indo-British economic co-operation. The high-powered delegation, headed by Mr Patil, aims to boost foreign investment in India and to open avenues for collaboration between Indian and British companies.

In his keynote speech, Mr Patil claimed that measures to liberalise the Indian economy had removed "some of the irksome restrictions" that kept investors away from the Indian market, had provided greater flexibility to entrepreneurs, had streamlined the industrial infrastructure, and had improved supplies of critical raw materials.

Claiming that India's liberalisation was "irreversible—" no nation can afford to remain an island," he said—he called for higher levels of British investment in India.

He warned that India looked upon foreign investment essentially as a vehicle for transferring technology. He said his government would be selective in encouraging the direction of investment and in choosing the technologies it needs.

Mr Ghosh, keen to place in perspective the expectations which might be generated during the next few days' talks, warned that India was shopping around internationally for the technologies it needs.

He implied that the attitude of "giver and recipient" had to change if British industrialists were to win a substantial share of future collaborative ventures with India.

Mr Ghosh is responsible for approving all industrial licences in India, and can influence the direction of foreign collaborative ventures in India.

Chinese discuss N-purchases with U.S.

By Tony Walker in Peking

THE CHINESE are discussing with U.S. companies the possibility of purchasing U.S. technology for a proposed nuclear power station in Guangdong province, despite legal impediments facing companies selling nuclear equipment to China.

A U.S. official in Peking said at the weekend that discussions were being conducted with several U.S. companies. He did not name the companies, but one is known to be the Westinghouse Corporation.

For some time there has been strong U.K. interest in the Guangdong nuclear plant. A British delegation including representatives from British Nuclear Fuels, GEC Turbine Generators and Department of Industry officials is due to visit Peking in July for discussions.

Under legislation passed under the Carter Administration, U.S. companies are not allowed to sell nuclear technology to countries which are not signatories to the Nuclear Non-Proliferation Treaty and are not subject to the inspection procedures of the International Atomic Energy Agency.

China, which has had the bomb since the early 1960s is in this category. However, the U.S. Administration has indicated it is investigating ways that an exception can be made.

The Reagan Administration is concerned about an anomaly that would allow the Chinese to buy Westinghouse technology through the French company, Framatome, which manufactures it on licence. Chinese and U.S. officials have had discussions about possible ways of removing impediments blocking sales of U.S. nuclear technology to China.

The Chinese have not yet made a decision about whether to go ahead with developing a nuclear power industry, but consideration is at an advanced stage of a proposal to build two 900 Mw pressurised water reactors (PWRs) in Guangdong province, South China, to supply provincial power needs.

The U.S. official was speaking at a Press conference given by Mr Raymond Waldmann, assistant secretary of commerce for International Economic Policy. Mr Waldmann had discussed the nuclear project with officials of the Chinese Ministry of Water Conservancy and Power.

Soviet worries grow over pipeline delays

BY ANTHONY ROBINSON IN MOSCOW

PRESIDENT Ronald Reagan's decision to include the foreign subsidiaries and licensees of U.S. corporations in the U.S. Government ban on the export of oil and gas equipment to the Soviet Union has evoked strong but mixed feelings in Moscow.

The official news agency Tass, in a despatch from Washington, described the move as "another step in whipping up international tension and destroying mutually beneficial business and economic co-operation between East and West."

But, rhetoric aside, the Soviet Union is worried about the delaying effects the U.S. move could have on the timing of the $4.5bn Siberia-Western European gas pipeline which is already under construction and scheduled for completion by the end of 1984.

This date has always been considered optimistic by most Western energy experts. Soviet Press reports indicate that, even without delays on the Western side, the Soviet pipelaying and construction industry would find itself hard pressed to fulfil its part of the project on time.

To that extent any delays in the delivery of Western plant and equipment attributable to the latest U.S. decision might in fact prove a useful scapegoat for delays on the Soviet side.

But delays in completing the pipeline would also mean delays in earning the estimated $8bn in hard currency annually when the project is fully on stream.

Although the U.S. Government has partly opposed the gas pipeline because of what it sees as Europe's strategic danger of over-dependence on Soviet supplies, its main objection is precisely because of the pipeline's value as a fresh, long-term source of hard currency well into the next century.

Against the risk of delay, however, the Soviet Union clearly sees the political gains to be made from the strong Western European reaction to the U.S. President's latest move.

The party newspaper, Pravda, yesterday commiserated with the chairmen of Caterpillar Trucks and General Electric of the U.S. who had sought removal of the original ban affecting their products and expertise.

But it paid most attention to the comment of leading West German industrialist Herr Wolf von Ameroengen, who according to Tass, predicted major new tensions between Europe and the U.S. and total confusion over the legal status of existing contracts and licences with numerous European, U.S. and Japanese concerns.

Apart from sowing discord between Western Europe and the U.S., the latest U.S. move, coming on top of the decision taken at the recent Versailles Summit to raise the cost of credit to the Soviet bloc, is also seen in Moscow as another reason for persuading Comecon to speed up the process of intra-Comecon co-operation and integration.

Ths was the *leit motif* of the Comecon summit in Budapest last week, and the latest U.S. move will reinforce it. But the major factor pushing Comecon in this direction is not President Reagan but hard currency shortages brought on by Comecon indebtedness and the backwardness and inefficiency of its technology and organisation.

Threat to Sakhalin project prompts Tokyo protest

TOKYO — Japan believes President Reagan's decision to maintain and extend a ban on the sale of U.S. technology to the Soviet Union will seriously delay a joint Japan-Soviet oil and gas project.

A senior Japanese government official, Mr Ichiro Fujiwara, who is trade and industry vice minister, told reporters yesterday that Japan would lodge a "strong protest" with the Reagan Administration.

The U.S. move, announced on Friday and aimed mainly at the construction of the Siberian gas pipeline, affects the project off the Soviet Far Eastern island of Sakhalin because the electrical logging equipment for the drilling programme is being supplied by a U.S. company.

Japan has invested $160m so far in the Sakhalin project, on which work started in 1976. The Soviet Union agreed to supply Japan with 3m tonnes of natural gas annually.

Mr Zenko Suzuki, the Japanese Prime Minister, is due to discuss the issue with his Cabinet ministers at a Cabinet session today. It is thought that the Tokyo government will ask the Reagan Administration to reverse its latest decision, and will express it displeasure.

Mr Suzuki urged President Reagan to allow Japan to continue the Soviet/Japanese project in France prior to the Versailles economic summit earlier this month.

Mr Shintaro Abe, International Trade and Industry Minister, also pleaded to U.S. envoy Mike Mansfield to exclude the oil and natural gas development project from the sanctions, which were originally imposed against Moscow because of the Afghan invasion and the Polish crisis.

Tokyo is believed still to consider its ties with Washington important, even though the ban on the shipment of U.S.-built drilling equipment could lead to the project's "complete cancellation," according to an unnamed official.

Agencies

Brazilian and Portuguese companies form consortia

BY DIANA SMITH IN LISBON

BRAZILIAN and Portuguese constructors and equipment manufacturers have formed two consortia to handle $220m of port works and equipment supplies for the Portuguese petrochemical, industrial and port complex of Sines.

The Brazilian civil construction company, Mendes Junior, which has worked on the trans-Mauretania highway and a $1bn Iraqi railway project, is making its European debut with one of the new consortia.

It has formed a tie with the Brazilian concern, Companhia Doca de Santos, and with Portugal's capital equipment companies, Mague, Somague and Equimetal, as well as Italy's Condotti d'Acqua, which built the tanker dock at Sines. The consortium will build and equip cargo and mineral docks.

The Brazilian metallurgical companies Villares and Bardella have formed a complementary consortium with Portuguese concerns in the same field, Socometal and Equimetal. Among the equipment which would be jointly produced by Brazilian and Portuguese concerns is loading and unloading gear, cranes and tracks.

The consortia for Sines were formed during the visit last week to Lisbon of Sr Ernani Galveas, the Brazilian Finance Minister, and Bank of Brazil officials and private businessmen.

EEC Commission closes two anti-dumping cases

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission has closed its anti-dumping procedures against Japanese and Eastern European manufacturers involved in two unrelated cases, following commitments by the exporters concerned to raise their prices.

The Japanese case involves exporters of polypropylene film for use in capacitors. According to European Commission findings, they had been practising dumping with margins that varied from 1.07 per cent to 86.4 per cent. On average, the Japanese producers had sold at prices of around 30 per cent lower than those of their EEC competitors, and thus had caused material damage to the EEC industry.

Although the EEC market for the film expanded by some 75 per cent between 1976 and 1980, the Japanese suppliers had through their pricing policies retained around one-third of the market, and so increased exports to the Community from 738 tonnes of film in 1978 to an annualised rate of almost 2,000 tonnes in the early months of 1981.

The Japanese film exporters' commitment to raise their prices to EEC markets has been paralleled by similar pledges from the East German, Polish and Czech exporters of cylinder vacuum cleaners who have been revealed by a Brussels Commission probe to be practising dumping margins of up to 81 per cent, so that from 1979 to 1981 their share of the EEC market rose from 5.4 per cent to 7 per cent.

● Ste Francais des Petroles BP has granted a contract to the U.S. Foster Wheeler Corporation to build a vacuum distillation unit and a catalytic cracker for its planned thermal cracking plant at Lavera, Reuter reports from Paris.

Norway wins Soviet milk packing deal

By Fay Gjester in Oslo

THE Norwegian company Elopak, which makes Pure-Pak juice and milk cartons under licence from the U.S. Ex-Cell-O Corporation, has won a contract worth more than NKr 400m (£36.8m) to supply packaging systems to four of Moscow's largest dairies. Deliveries will be made through Elopak's Finnish subsidiary.

The order—won in keen competition with Sweden's Tetra Pak—is the result of several years' co-operation between Elopak, the Finnish forest products concern Enzo-Gutzeit, and the Soviet Ministry for Meat and Dairy Products.

The Norwegian company believes it will pave the way for further sales on the Soviet market.

Under the contract, Elopak will supply 37 complete packing lines for fresh milk, with a combined annual capacity of 500m litres.

Moscow to open rail-ferry link to East Germany

BY LESLIE COLITT IN BERLIN

THE SOVIET Union is to open a rail-ferry link to East Germany following the West German Government's failure earlier this year to hold talks with Moscow on a Soviet plan to establish a rail-ferry service to a West German Baltic Sea port.

The reluctance of the West German Government to become involved was seen as politically motivated at a time when the U.S. was calling for trade measures against Moscow.

The link will permit Soviet imports and exports to be shipped across the Baltic Sea which now have to be sent by rail across Poland. Moscow has complained about rail bottlenecks in Poland and high Polish transit fees for its goods.

The Soviet Union and East Germany announced that the ferry link will be between the Lithuanian port of Klaipeda and the East German port of Sassnitz. It is to open by 1986.

Western transport officials said the Soviet Union will be able more rapidly to ship goods bound for central and southern Europe, as well as for West Germany. This will put an extra burden on the East German rail network, but West Germany has held out the prospect of helping electrify and modernise several East German rail-lines.

The project was broached last November when the Soviet President, Mr Leonid Brezhnev, visited Bonn. The Soviets said Moscow wanted to ship about 2m tonnes of goods annually across the Baltic in co-operation with a West German shipping company.

A West German port official estimated it would have cost DM 100m to build the necessary installations on the West German side, which would have had to be shared with the state and Bonn Governments.

Economic outlook for long term improves slowly

BY ROBIN PAULEY

THE longer-term prospects for the economy continue to improve slowly but steadily, according to the Government's cyclical indicators, while in the short term the economy now appears to be edging out of the doldrums.

The indices for April and May, published by the Central Statistical Office yesterday, show that although there was a faltering in the slow recovery in the early part of this year the trend is still out of the trough reached in the second quarter of last year.

But both the longer and shorter-term indices have had such a shaky 12 months that it is still not possible to discern a firm advance.

There are four indices. Two predict changes in economic activity one year ahead and six months ahead respectively. The coincident indicator shows the present state of the economy while the lagging index reflects turning points one year after they have occurred.

The coincident indicator fell to a low point in April 1981 at 93.9 (1975 = 100). It then climbed slowly each month to reach 99.3 in February, 99.6 in March and the same level in April.

This fairly static position has characterised the shorter-term indicator, which rose from 103.1 in April 1981 to around 110 in August. Then a serious hold-up occurred and continued throughout the autumn before the index reached 111 in January. Since then it has edged up to 111.7 in February, 111.9 in March and 112.7 in April.

Even allowing for the fact that the effects of bad weather and strikes made it difficult to gauge what was happening to the economy during the winter, the figures for the past 12 months underline the fact that economic progress based on the business cycle will be slow.

This view was reinforced by the stagnant industrial production figures last week, which showed output from all non-oil industries to be slightly below the average for last year and nearly 7 per cent below the 1980 average.

The longer-term index, which fell back badly last summer and autumn, moved to 116.2 in May compared with 115.2 in April and 114.6 in March. The continuing improvement in this indicator has been caused, according to the Central Statistical Office, by falling interest rates, rising share prices and improved housing starts.

Lloyd's insurers recover $5.5m in court settlement

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A GROUP of Lloyd's syndicates and insurance companies is to recover about $5.5m (£3.15m) as a result of the settlement of a multi-million dollar insurance dispute announced in the High Court yesterday.

Mr James Bragg and Ulster Marine Insurance Company, acting on behalf of the Lloyd's insurers, had sued Oceanus Mutual Underwriting Association (Bermuda) and C. E. Heath and Co (Marine), the London broker.

The dispute was one of two arising from the insurance of cargo containers leased to shipping companies by the U.S. multinational, CTI International.

Oceanus, a Bermuda-based protection and indemnity club, succeeded the Lloyd's syndicates and companies as CTI's insurer and reinsured the run-off of the Lloyd's policy.

In January, CTI obtained judgment against Oceanus, for damages to be assessed, the court rejecting Oceanus' allegations of non-disclosure and misrepresentation against Heath, which had acted for CTI in negotiations with Oceanus.

In the Lloyd's action Oceanus was alleged to have avoided reinsurance of the Lloyd's policy. Oceanus renewed its allegations against Heath.

Yesterday Mr Jonathan Mance, QC, for the Lloyd's insurers, told Mr Justice Webster that the action had been settled.

Oceanus had agreed to pay Lloyd's $100,000 within 10 days in full and final satisfaction of the Lloyd's claim.

Oceanus would also release to Lloyd's $3.74m which had been held on deposit pending the outcome of the dispute.

Heath would pay Lloyd's $1.65m within ten days.

Each party would bear its own legal costs.

Counsel for Oceanus and Heath each said that the agreement to end the litigation had been made without any admission of any kind by them. Mr Mark Waller, QC, for Oceanus, added that the company had paid 1 per cent of a very large claim.

BCal steps up LA flights

FINANCIAL TIMES REPORTER

BRITISH CALEDONIAN has doubled the frequency of its new non-stop service between London and Los Angeles.

The schedule has been increased from three to six flights a week with services now operating every day except Thursday.

The airline has confirmed that the new service — launched on May 21 — is expected to make a profit this year with advance bookings to date exceeding 23,000.

Flights are scheduled to depart from Gatwick at 14.35 and arrive at Los Angeles international airport at 17.45, coming back, services leave Los Angeles at 19.30 and arrive in London at 13.55 the following day.

Qantas, the Australian airline, will introduce a twice-weekly service from London to Adelaide from November 3.

Flights will depart on Monday and Wednesday at 20.45, calling at Bahrain, and Singapore, arriving in Adelaide on Wednesday and Friday at 19.05.

Air New Zealand has reached agreement with Cathay Pacific Airways and Air Niugini for the joint operation of services between Auckland and Hong Kong.

From November 3 the present weekly DC-10 service will be replaced by a 747 flight via Port Moresby.

● Monarch Airlines, the package holiday airline, yesterday signed a £15.5m contract for new Rolls-Royce engines—in a ceremony in the back of a Rolls-Royce Corniche.

The RB 211-535 engines are for Monarch's three new energy-saving Boeing 757 aircraft which will go into service in March next year.

Exhaust company expands

FINANCIAL TIMES REPORTER

EXHAUST manufacturer Bosal (UK) is to invest £1m in expanding and re-equipping its UK headquarters in Lancashire.

The move will double its factory and put into operation the latest computer-controlled equipment. Mr Car Betley, the managing director, announcing the expansion said: "Bosal's growth in the UK has been exceptional. It has developed from nothing to being the fourth largest supplier of after-market exhaust systems in the UK in just over four years."

The company will soon start work on a further 100,000 sq ft of manufacturing and warehousing and has just introduced new equipment including computer-controlled pipe bending machines and high-speed box making lines.

Anthony Moreton discovers why Whitehall is interested in Leicester's new Business Advice Centre

Where resources meet initiative under one roof

AT THE start of this month the Duke of Kent paid a flying visit to Leicester to open a business venture of great interest to Whitehall.

The Business Advice Centre, a three-storey block in New Walk, a pedestrianised street just off the shopping centre, houses five organisations whose objective is to stimulate job creation and start-ups as well as give advice to existing concerns.

The five are independent of one another but as they operate in the same field resources are often pooled. All initial inquiries to the centre, for instance, go to one person who sends them to the appropriate arm.

At the hub of these activities is the Leicestershire Business Venture, an advice and consultancy unit headed by Mr Tim Connor, seconded from Marks and Spencer and funded entirely by private industry. In addition there is the Leicestershire Small Firms Centre, which has local authority backing, the Leicester Co-operative Development Agency, the Action Resource Centre, which assists community projects by seconding professional help from industry and commerce, and the Department of Industry's Small Firms Counselling Service.

Mr Connor's Business Venture is one of a growing number of enterprise trusts opening around the country in which prominent local companies either fund or support the local authority in backing such enterprises. The daddy of them all is St Helens, where the St Helens Trust set up under the auspices of Pilkington Brothers and the council has pioneered the way for others.

The concept of participation between major local companies and start-up or counselling organisations appealed greatly to Mr Michael Heseltine, Secretary for the Environment, and he threw his weight behind such schemes. Today there are about 60 around the country, in places such as Leeds, Gloucester, London, the Wirral and Nottingham. The aim is to have about 200.

What is interesting Whitehall about the Leicester scheme is that it claims to be the only one in the country where services provided by various agencies can be found under one roof.

"It is sometimes very confusing for someone seeking assistance to know where to go," Mr Connor says. There are a number of agencies and the businessman or woman seeking to start their own operation can be confused when confronted by different organisations in different buildings.

"By putting all our resources under the same roof we can filter all inquiries, pass them on to the organisation we think can give them the best advice and, if necessary just walk down a corridor to introduce them to someone else. Having all these organisations under one roof gives us great flexibility and that means we can give a better service to those who come to us."

The Business Venture, like the other four organisations under the centre's umbrella, is a small organisation.

Mr Connor will return to Marks and Spencer at the end of this year after an 18-month spell. He will be replaced by an executive from United Biscuits and has recruited Mrs Sarah Beech from Readers Digest and a clearing banker who will join them in the autumn. These three will be the venture team.

They will, however, have the backing of some of the biggest companies in the county. Among the 31 founder members who have put up sufficient finance to fund the project for at least five years, are Bovis, British Shoe, Corah, Fisons, Sketchley and Stead and Simpson. A further 29 concerns are making non-financial resources available.

It might be wondered why either Leicester or the county feels the need for such a scheme. Unemployment in the city at 10.6 per cent is comfortably below the UK average of 12.4 per cent and the county figure of 9.9 per cent is even more healthy. Indeed, over the past three months unemployment has actually fallen in all parts of the county with the exception of Loughborough and Melton Mowbray, where Pedigree Petfoods is already associated with an enterprise trust called Midas.

The answer is that despite its relative prosperity the area still has its problems, highlighted by the Government's inclusion of Leicester in its inner city programme with an allocation of £6m. The creation of, or support for jobs is still of vital importance in a city which relies heavily on the depressed clothing and textile industry for employment.

Since the venture was set up in July 1981 it has had more than 2,000 general inquiries and some 200 companies or start-up situations have received advice from it. That is probably as many as they can handle. "We are not in the instant solution game," Mr Connor says. "Our object is to get into an ongoing relationship and we already have a number of companies with which we have very close contact."

The Department of the Environment is so interested in what is happening in Leicestershire and the Midlands in general where enterprise trusts are now well established, that it has appointed an official to oversee their development.

With a business awards scheme that has already attracted 103 companies in its second year of operation, the Leicestershire Business Venture is in a good position to do what Mr Heseltine wants—marry local initiative to local needs without any cost to himself.

Siddall gets one-year term in NCB chair

By Sue Cameron

The Government has finally announced that Mr Norman Siddall is to be the new chairman of the National Coal Board — but on a strictly "caretaker" basis.

Mr Siddall, who succeeds Sir Derek Ezra, will hold the £51,000-a-year top post for only a year. He will have two deputy chairmen — Mr John Mills and Mr James Cowan — to help him. All three are mining engineers.

The appointment of Mr Siddall, who has been deputy chairman of the NCB since 1973, has been an open secret for weeks. But yesterday's official announcement seems to have taken some coal board executives by surprise because they had expected him to be given 18 months in the job.

The ostensible reason for allowing him only 12 months as chairman is that he will be 65 next year and therefore due for retirement. He is already a year older than Sir Derek and underwent a heart operation last year.

But the real reason for such a short-term appointment is that the Government wants to give itself more time to find a tough, hard-hitting industrialist — possibly in the style of Mr Ian MacGregor, head of the British Steel Corporation — to fill the job on a longer term basis.

When the NCB's figures are published next month they will show that the industry made a marginal profit — after receiving £460m in grants. The Government has made no secret of the fact that it wants to reduce—and if possible phase out entirely—the operating grants it pays to the industry.

In the meantime Mr Siddall, a Yorkshireman who was the board's member for mining before becoming its deputy chairman, will have Mr Mills and Mr Cowan to share the coal industry's burden with him and perhaps to lend extra weight to the NCB leadership.

This is the first time the coal board will have had two deputy chairmen on a regular basis. Mr Mills was the board member for mining. Mr Cowan was the member for industrial relations.

The first test for the new team could come very soon. Besides the current fight by miners against planned cuts in the workforce at Snowdown colliery in Kent, the National Union of Mineworkers, under the presidency of Mr Arthur Scargill, starts its annual conference at Inverness in Scotland in two weeks' time.

Reform of family income tax and social benefits urged

BY ROBIN PAULEY

A REORGANISATION of the system of income tax and social security benefits so that families receive financial support when they most need it was urged on the Government yesterday.

Family Forum, a group representing more than 100 organisations, said the Government should distribute resources over the complete family life-cycle, considering the effect of benefits and taxation together.

The present system regards cash benefits as increasing public expenditure and therefore treats them separately from tax allowances and tax expenditures such as mortgage relief.

An example of the inadequate approach was the Government's Green Paper "The Taxation of Husband and Wife," which had considered the question of fairness in taxation between men and women, married and single people and couples with one or two incomes, but had ignored the issue of fairness between those with and those without dependents.

It had also failed to examine the part that cash benefits could play in achieving fairness over the different stages of family life.

Family Forum called for a new Green Paper to examine how far people were prepared to pay higher taxes or contributions when they were prosperous so as to pay lower taxes or receive higher benefits at times of greatest need.

The Green Paper should also examine the balance between earned income and other income during unemployment, sickness, retirement and single parenthood, said Family Forum.

The issue was also discussed at an Institute for Fiscal Studies seminar yesterday at which Mr John Kay and Ms Cathy Sandler, of the IFS, said 33 out of 37 organisations had agreed that the married man's tax allowance should be abolished.

A majority thought the £3bn in revenue which abolition of the £700 extra allowance would release should be used to increase child benefit. But a substantial minority preferred that a household basis for taxation should continue, with transferable allowances which spouses with no or low incomes could transfer to husband or wife.

APPOINTMENTS

Management changes at Esso

Mr K. C. Herring, divisional director, industrial consumer, marketing, will be retiring from ESSO PETROLEUM on June 30. From July 1 the industrial/consumer and international/specialties divisions are being merged and Mr D. K. Jones will become director of the new industrial and wholesale division of the marketing department.

★

BEECHWOOD CONSTRUCTION (HOLDINGS) is enlarging the boards of its well-drilling subsidiaries with the appointment of Mr Geraint Lewis as director and general manager of Le Grand (Well-drilling and Engineering) Company, and Mr Pat Phelan, as director and general manager of Doncaster Well Borers. Mr Lewis was previously with the Thames Water Authority where he was manager of development and engineering services, Chiltern division. Mr Phelan joined Le Grand in 1980 as contracts manager from Thrust Bore Construction. Before assuming a civil engineering career he was a professional cricketer with Essex County Cricket Club.

★

Mr John Warne, at present deputy director general of fair trading, is to become the new secretary of the INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES. Mr Warne will replace Mr John Hough, the present secretary for the past ten years.

★

Mr Richard W. Elviss, who joined as operations director last September, is being appointed managing director of HANSON TRANSPORT from July 1.

★

Mr Andrew Wood Flockhart has been appointed to the new post of managing director of LANCASHIRE ENTERPRISES, an industrial and training initiative launched by Lancashire County Council.

'No money for shareholders' in Stone-Platt sale

BY RAY MAUGHAN

THE RECEIVERS of the textile machinery and engineering group Stone-Platt Industries expect to realise "well over £50m" by the time the group's sole remaining business is sold.

Mr Bill Mackel, the receiver, of the accountancy firm Ernst and Whinney, said yesterday that after paying "unknown millions to preferred creditors" there would be no distribution to ordinary shareholders.

These include Equity Capital for Industry, M and G and Prudential Assurance, which backed the group in an earlier capital injection and were standing by to put in further funds when the receivers were called in three months ago.

The remaining operation is a foundry at Bolton, Lancs., which employs about 130. The receivers announced yesterday that the sale of Stone Foundries at Charlton, South London, had been concluded.

The price was not disclosed, but it was based on assets and an element of goodwill.

At the end of last month it was stated that the receivers had realised about £40m, but at that point both the Charlton and Bolton plants were still managed by Ernst and Whinney.

The buyer of the Charlton foundry is Mr John Langham, fixed-pitch propellor subsidiary, who acquired Stone Platt's Stone Manganese Marine, two years ago.

The Stone foundries site occupies ten acres near Woolwich, but it was a condition of the deal that Mr Langham, through his privately owned company Langham Industries, should acquire a further ten acres of adjoining industrial land, now to be put on the property development market.

Stone Foundries employed about 400 when receivers were appointed, but this had fallen by a quarter when the plant re-opened yesterday under Langham Industries' control.

Its turnover runs at between £6m-£7m annually. Mr Langham said yesterday: "It is making marginal profits, as far as we can tell."

The company is described as "one of the leading light alloy castings plants in the country."

Mr Langham, who controls Vacu-Lug Traction Tyres, has been backed again by Midland Bank for this second acquisition.

A Stone-Platt employee since 1947, he resigned his directorship in February last year to negotiate the Stone Manganese Marine buy-out. He is the third former Stone-Platt director to take an active interest in its affairs since receivership.

Mr Robin Tavener, managing director of the whole group till September, completed purchase of Stone-Platt's electrical division for an estimated £15m last month. His predecessor, Mr Edward Smalley, now runs the Lancashire part of the textile machinery division, Platt Saco Lowel, for the U.S. group John D. Hollingsworth on Wheels after a £12.75m takeover in April.

Commodity newsroom takes step back in time

By Ian Hamilton Fazey

MR MICHAEL HESELTINE, Environment Secretary, this Friday will open a commodity trading newsroom in Liverpool which seems to spit in the face of technological progress.

He is opening Merseyside's New Atlantic Newsroom which aims, by easing the means through which people meet and trade, to undo the ravages to human relations caused by modern telecommunications.

If the venture succeeds, it will rationalise, save and ultimately regenerate commodity trading on Merseyside, contributing to increased use of the ailing Port of Liverpool by shippers and the creation of long-term jobs.

As Mr George Alcock, chairman of a newly-formed umbrella organisation, the Liverpool Commodity Trades Association, put it: "The old newsrooms were where people did their business. It was their main source of commercial information. The revolution in telecommunications over the last two decades changed all that and kept them in their offices.

"Now people are realising that things like electronic offices don't facilitate the face-to-face human contacts you also need to spot some opportunities and develop your business. Our New Atlantic Newsroom attempts to fill this need," he said.

The project has involved a substantial facelift for the old newsroom on the ground floor of the Liverpool Corn Exchange. It also involved the liquidation of the former Liverpool Corn Trade Association — membership had declined from 400 companies to 38 in 15 years.

The association's shareholders, who had received no dividend for years and were mostly unconnected with the trade, realised their capital which amounted to 302 issued shares, valued at about £500 each and spread among 92 shareholders. The shareholders' response was to give £42,000 back for the new newsroom to be developed.

A reconstituted Corn Trade Association now sits under the new Commodity Trades Association umbrella. The Liverpool Provisions Trade Association has already thrown in its lot and is administered by a common secretariat. The long term hope is that the new arrangements will also prove attractive to other traders and their associations, such as those for fruit, meat and cotton.

Mr Alcock sees possibilities of establishing new futures markets in Liverpool for a whole range of commodities. The prospects have awakened considerable interest, with 115 individuals and 44 companies having already joined the umbrella organisation. Of its £50,000 authorised share capital, half has been taken up by a wide range of Merseyside people and organisations, each paying a minimum of £100.

Modern telecommunications will, of course, be there to ensure that the newsroom is better served with up-to-the-second information than any of its predecessors. To help its finances it will also tempt its members to less skillful forms of gambling than futures markets—there will be two fruit machines near the front door.

Membership is inexpensive: £35 for individuals and £70 for companies, which then have to pay £10 for each member of staff they wish to use the newsroom. The restaurant, which is almost certain to make the newsroom a popular lunchtime meeting place for Merseyside's business community, is being run by the highly reputable catering department of an enthusiastic shareholder, the Mersey Docks and Harbour Company.

ICI fears tax relief plan for rivals

BY SUE CAMERON

IMPERIAL CHEMICAL Industries fears the Government is poised to give large tax advantages to its biggest rivals in the UK — Shell, Esso and BP Chemicals.

ICI's concern follows the announcement last week of its large-scale restructuring deal in petrochemicals and plastics with BP Chemicals.

BP made clear that it had finally managed to wring tax concessions from the Government, to cover North Sea gases used to make petrochemicals. It therefore planned to go ahead with a £30m programme to revamp its 250,000 tonnes-a-year base chemical plant at Grangemouth in Scotland.

The full details of the tax arrangement are expected to be announced today, when the Government spells out its plans to amend clause 119 of the Finance Bill.

Senior executives in ICI's troubled petrochemicals and plastics division are anxiously awaiting them. ICI has promised that, if it finds it has been placed at a disadvantage over the taxation of petrochemical raw materials, then it "will not let the matter rest."

Last week it admitted that it had already started "intensive discussions" with the Government on its tax position.

The basic principle of the tax concessions has become clear after the original publication of the Finance Bill and a further statement from the Government last week to outline the proposed amendments to clause 119.

The new arrangements will give tax stability to Shell, Esso and BP Chemicals for five-year periods—and will almost certainly lower their final tax bills as well. But the concessions will apply only to gas used as a petrochemical feedstock—not to oil—and only to gas sold in-house or between associate companies.

ICI's biggest base chemical plant—at Wilton on Teesside—mainly uses naphtha, which is made from oil, as a raw material. ICI has to buy most of its naphtha from other companies in arm's length deals.

It now fears that it will be charged the full 70 per cent petroleum revenue tax—which is to become 75 per cent on January 1—on a price that can, and almost certainly will, change every few months. Over a five-year period therefore, its costs could be considerably higher than those of Shell, Esso and BP. The market for basic chemicals is already so weak that it is essential to keep costs to a minimum in order to be competitive.

What could develop into a full-scale row over taxation of petrochemical feedstocks began last year when Esso Chemicals threatened to abandon the £500m petrochemicals plant it is building at Mossmorran in Fife. The plant, which is being 50 per cent financed by Shell, will use North Sea ethane gas as a feedstock.

The Government — desperate to prevent cancellation of the project—did a secret deal with Shell and Esso, which was formalised this year in the Finance Bill. It was agreed that Shell/Esso's in-house transfer price for ethane from their North Sea Brent field would be accepted for periods of up to five years by the Inland Revenue for tax purposes. Previously, the Inland Revenue would have had the right to revise the price it would accept for tax purposes every few months.

BP Chemicals then pleaded for similar treatment, and is to be given it. The Finance Bill is expected to be amended to cover not only ethane when used as a feedstock, but mixed gases were the chief component is ethane.

Drupa exhibition ploy pays off for Crabtree

BY OUR INDUSTRIAL CORRESPONDENT

DIRECTORS of Crabtree Vickers, the only British company which manufactures a significant range of printing presses, returned from the Drupa printing equipment exhibition in Dusseldorf this weekend having exhibited nothing.

The Crabtree Vickers stand, set out to resemble a golf course, offered only refreshments to visitors. Customers interested in products were taken to Dusseldorf Airport and flown in the Vickers executive jet to see them in operation at Crabtree Vickers's new printing equipment factory in Leeds.

Potential customers were offered seats on three daily return trips which the aircraft made throughout the two-week exhibition. Crabtree Vickers regards the venture as a success not only in terms of new orders —£1m worth of business was placed with the company at Drupa, although some was in the pipeline anyway—but also in terms of establishing the international reputation of its manufacturing facilities.

The Leeds factory, which will be officially inaugurated next month, is the culmination of a development strategy launched by Crabtree Vickers in 1977 in the face of mounting overseas competition. A new management team was appointed, marketing approach was reviewed and the company's new 900 series offset presses were developed.

Production, which was previously carried out on three sites, has been concentrated at one—although foundry activities have been retained at the company's original location at Otley, Yorks.

Crabtree Vickers currently holds 4 to 5 per cent of the world printing press market and, depending upon product, 30 to 60 per cent of the British market. The company is concentrating sales efforts heavily in the U.S. where there is no major domestic producer of sheet fed presses, while it looks for indication of lasting improvement at home.

Mr Les Bennett, marketing director, sees signs of the home market strengthening, "but from a very weak position."

Traditionally, the place to find the Crabtree name had been on newspaper presses. A decision by the company to stop building letterpress machines in the late 1970s caused concern among customers over whether components and service would still be available and led to the formation of the International Crabtree Users Association.

But the company has retained facilities for CV Newspress at Leeds, a section of the organisation devoted to the continuing needs of newspaper letterpress users. This provides spares and service, and—using records of all Crabtree presses produced during the past 60 years—suggested ways of modifying and extending existing equipment.

Air travel organisers' profits rise 19%

Financial Times Reporter

COMBINED net profits of Britain's 30 largest air travel organisers rose 19 per cent last year to £52.2m on turnover up 12 per cent to £1.02bn.

The combined profit margin of 5.1 per cent showed an improvement over 4.8 per cent in 1980 but was below the 5.4 per cent level reached in 1979 and 8.5 per cent in 1978.

Four of the top 30 air travel organisers made losses in 1981 totalling £2.5m on turnover of £83.4m.

Four air travel organisers failed in 1981 but none was in the top 30. In the first three months of this year, seven failed, including two subsidiaries of Laker Airways.

Consultants plan private hospital

A COMPANY to develop a £3m private hospital at Wroughton, Swindon, Wiltshire, has been formed by the London Private Health Group and the Lesser Group, together with 37 consultants in the area.

The hospital, which has planning permission, will have 39 beds and will be an acute surgical and medical unit. It is expected to provide approximately 70 permanent jobs.

Drought hits Wales

THE WELSH Water Authority is seeking drought orders limiting the use of water in parts of mid and west Wales after weeks of low rainfall. A ban on the use of hosepipes for gardens and washing cars came into effect in Merioneth on Friday and similar bans will soon come into effect in Gwent.

GEC cuts 30 jobs

MANAGEMENT at Newcastle-under-Lymes strike-hit GEC plant announced 30 redundancies yesterday. They blamed a fall in orders for the cut in staff and denied that the move was related to lightning strikes by the workforce of 600 in protest at news that they are not to receive a pay rise this year.

Boat building stops

SHETLAND BOATS has suspended production at Stanton, near Bury St Edmunds, Suffolk. The decision will affect the jobs of up to 96 employees.

CCA requirement

PUBLICATION by listed companies of current cost accounting information in interim statements is now a mandatory Stock Exchange requirement and not voluntary, as stated in the accountancy survey on June 17.

Census indicates rise in ethnic minority population

BY LISA WOOD

BRITAIN'S ETHNIC minority population — people from the New Commonwealth and Pakistan — rose from 2.5 per cent to 4.1 per cent in the decade to 1981, according to estimates published yesterday by the Office of Population Censuses and Surveys.

The estimates were compiled from answers to a question on country of birth in the census. The OPCS said that the country of birth of the head of the household could be used as a proxy for the ethnic origin of all the members of the household for the purpose of analyses of social characteristics and housing.

A question on ethnic origin was excluded after opposition from ethnic organisations.

While it points out the imprecision of the data — some ethnic minority head of households were born in the UK, for example, the OPCS says its results are comparable with those of other surveys.

The Labour Force Survey of 1981, which asked direct ethnic questions, estimated that some 4.3 per cent of the population in 1981 were of New Commonwealth or Pakistani origin.

The OPCS, in an editorial in the latest edition of Population Trends, said: "The main conclusion is one of broad consistency between the various sources allowing for differences in definition and the sampling variability inherent in results given by sample surveys."

This conclusion is of significance, given the current debate on whether or not a direct ethnic question should be included in the next census.

In 1971 a question in the census had asked parents' country of birth but in the future such information will become increasingly unreliable for estimating the ethnic population because more parents will be UK born.

House prices rise slowly despite increased sales

BY MICHAEL CASSELL

INCREASING activity in the private housing market is not yet being accompanied by significant price increases, according to the Royal Institution of Chartered Surveyors.

The latest survey among members of the Institution shows average prices moving up slowly and indicates that no upsurge is likely in the immediate future.

One-third of those estate agents responding to the survey say that prices in the three months until the end of May rose by between 2 and 5 per cent, while nearly two-thirds report average prices showing no change. Less than 3 per cent say prices have fallen.

According to the institution, the first-time buyers' market remains the most buoyant, although agents suggest that interest in more expensive properties is beginning to pick up. Room for any substantial price increases is still limited by the many houses remaining unsold, the RICS adds.

These indicators become available at a time when the private housing market is increasingly buoyant, in respect of both demand and new building activity.

Mortgage lending by the building societies and the banks is at record levels and any further fall in interest rates could further strengthen the demand for home loans. There are already reports that, despite the availability of bank mortgage finance, buyers are again having to wait until their loans are approved.

Last month the building societies advanced a record £1.2bn and promised another £1.37bn to borrowers. Their lending is expected to remain at the present level for the next few months.

Austin Rover's pro-UK drive 'matter of policy'

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER, BL's volume car subsidiary, yesterday denied suggestions that its failure to achieve market share targets had prompted another Buy British appeal to its suppliers and managers of company car fleets.

The appeal went out from Mr Harold Musgrove, chairman of Austin Rover. Some suppliers say his letter contained a veiled threat that BL would consider withdrawal of its business from companies which did not buy British cars.

The company pointed out that, during the past year or so, Austin Rover had carried out a large-scale review of its purchasing policies and decided to buy from UK-based companies as a matter of policy, even if that were to prove more expensive in the short run.

BL buys about £600m of components a year, 95 per cent of them from British-based companies.

"If someone with whom we do business has a policy of not buying our cars, we would have to review our purchasing policy in relation to that company," BL said. "In the past, it could have been claimed that our car range left something to be desired. That is no longer the case."

Mr Musgrove's letter was drafted long before it became apparent that BL car sales would fall well short of target in the first part of June, the company insisted.

This month, BL has taken less than 17.5 per cent of total new car sales in Britatin. The target is at least 20 per cent for the year. BL's share this year so far is not quite 18 per cent.

This month Mr Musgrove wrote to Austin Rover's 50,000 employers to urge them to encourage their relatives to "buy British."

Cavern Club site to be developed by Royal Life

BY NICK GARNETT

ROYAL LIFE insurance company unveiled plans yesterday for a £7m development on a derelict site in central Liverpool where the Cavern Club, made famous by the Beatles, once stood.

The development, on land which the owner, British Rail, has agreed to sell to Royal Life, would include a club or a Beatles museum and statues of the pop group as well as shops and offices.

Radio City, the local independent station, has purchased more than £40,000 of Beatles memorabilia to start a Beatles museum in Liverpool, while the insurance company has shown some interest in trying to get this material housed in its proposed Mathew Street development project.

Royal Life has also been active in the national and Merseyside task forces set up by Mr Michael Heseltine, Environment Secretary.

The project includes 23 small shop units totalling 17,750 sq ft, office space of 62,000 sq ft on six floors, and a 4,000 sq ft public house and restaurant.

The insurance company said it intended to erect a statue of John Lennon at one of the site's entrances and another of the four Beatles together in the central mall area.

The scheme, which has been put before city planners, envisages the covering in of Mathew Street. The company wants to see the shopping area finished by the spring of 1984, with the offices completed later.

MSC urged to consider revamping part-time jobs plan

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

MEMBERS of the Manpower Services Commission are being urged to reconsider proposals for providing temporary part-time work for the long-term unemployed when they meet today.

The proposals before the MSC are a compromise on a scheme announced by the Chancellor in the Budget which failed to find favour among trade union leaders and elsewhere.

Under the Government's proposals it was envisaged that long-term unemployed people would do work of a socially-useful nature in return for benefit and expenses. In alternative proposals to be put before the commission today by Mr Geoffrey Holland, MSC director, it is proposed that the scheme be recast so that people would work part-time and be paid the part-time equivalent of the full rate for the job.

The alternative proposals are based in part on a scheme prepared by Sheffield City Council for 1,000 unemployed people to do valuable community work. But in a letter sent to all members of the MSC yesterday the council says it fears that the part-time idea has been "lifted out of context" and may lead to proposals for a central government scheme distorting what the council had in mind.

The council says its aim was to provide "a decent living wage for a shorter working week" of, perhaps, 30 hours. "The proposal now before the commission differs very considerably from the Sheffield plan. Firstly, the MSC scheme only provides temporary opportunities, whereas our proposal would result in permanent employment.

"Secondly, in the MSC scheme part-time has come to mean half-time, rather than a shorter working week. This may run the risk of removing those on the scheme from full employment protection.

"Thirdly, payment for those on the MSC half-time scheme will be little better than state benefits plus expenses — a concept firmly rejected by the TUC, CBI and voluntary organisations when it was first proposed by the Chancellor."

Alan Pike examines the prospects for the Government's Youth Training Scheme

Mr Tebbit decides to pay the 16-year-olds

THE FIRST attempt to give all British school-leavers proper preparation for work will not, after all, collapse in a sideshow argument over payment of supplementary benefit to 16-year-olds.

If Mr Norman Tebbit, the Employment Secretary, had announced yesterday that the Government still intended to withdraw the right to supplementary benefit from 16-year-olds who refuse places on the proposed Youth Training Scheme, there would have been no scheme. Such an announcement might also have precipitated the break-up of the tripartite Manpower Services Commission, (MSC) which runs the employment and training services.

Faced with this prospect, plus the view of all those who will be responsible for delivering the new scheme that reluctant recruits would be a bad thing, Mr Tebbit has changed his position. However, he belives that the moral and social justification for the Government's original decision still stands.

He repeated in the Commons yesterday that the Government still believes 16-year-olds—whether in education, training or unemployed—should be regarded as dependent on their parents and should not be entitled to supplementary benefit in their own right. But Ministers have decided that benefit will not be withdrawn in September 1983—when the Youth Training Scheme will begin—and there will be a review after the scheme has been running for a year.

The Government will, however, provide that those who "unreasonably refuse a suitable training place" will, like adults, have their benefit reduced for six weeks.

All those connected with the Youth Training Scheme—including some who sympathised with Mr Tebbit's view on benefit—will be relieved that a fight to the death, over an issue which has nothing to do with what the scheme will be trying to achieve, has been avoided.

The scheme, as approved by Mr Tebbit yesterday, is a much more ambitious creation than the Government's original proposals, outlined in December, which were confined to the young unemployed. Mr Tebbit has accepted an MSC recommendation that all 16-year-olds, and eventually 17-year-olds, who do not remain in full-time education should be offered a year-long programme of training, further education and work experience.

The MSC has won another victory by persuading Mr Tebbit that allowances paid to young people should be at least £25 per week, rather than the £15 which the Government originally suggested. Mr Tebbit will review, without commitment, whether £25 is still sufficient when the scheme starts next autumn, and will consider whether travel allowances should be added.

With the arguments over the structure and organisation of the scheme now complete, the MSC must press ahead and, within only a year, get ready for massive changes in the way Britain prepares its young people for work. Some of the questions which this raises include:—

Will the new scheme be better than the often-criticised Youth Opportunities Programme (YOP) which it will displace?

Yes, say the Government and the MSC. The new scheme not only lasts twice as long as the YOP, but it includes positive training elements which the older scheme never contained. This is a genuine training scheme which will become a permanent feature of British life, not just a response to youth unemployment.

Will industry provide sufficient, worthwhile training places to make the scheme effective?

This is the area of greatest potential difficulty. Mr Tebbit, the MSC, TUC and Confederation of British Industry face a giant marketing job. At least 460,000 places will be required next September. Companies will receive £1,850 a year per trainee — from which they will pay the young person's allowance — and the MSC has tried to structure the grants system so as to encourage employers to take as many trainees as possible.

Surely the scheme will simply defer youth unemployment from 16+ to 17+?

Critics will certainly mount this charge. The Government will respond that, by providing real training and vocational preparation, the scheme should enhance young people's job prospects, that the economy should soon be in better shape and that, by the mid-1980s, demographic factors now putting disproportionate numbers of young people on the labour market will ease.

How will the scheme be funded?

Because industry will be meeting a greater share of the costs than under the original proposals, it has been possible to extend the scheme to all school-leavers, rather than just the unemployed, within the Government's financial ceiling of £1.1bn.

But the problem for the Government is that, by making the scheme a permanent one for all the school-leavers, the costs will not disappear as youth unemployment disminishes. In the long term, the Government is likely to want industry to bear more of the cost.

Where does the Young Workers' Scheme fit in with the new training scheme?

The MSC told Mr Tebbit that the Young Workers' Scheme, under which employers can claim a subsidy if they take on young people for less than £45 per week, was inconsistent with the new training scheme because it contained no training element.

Mr Tebbit is not prepared to scrap the Young Workers' Scheme, although it is still regarded as experimental. There have been about 70,000 applications for the subsidy, but the scheme appears to be leading to the creation of few extra jobs.

How will the Youth Training Scheme allowances affect young people who remain at school between 16 and 18?

Some educationists and teachers' unions argue that young people may be tempted — only on financial grounds, and thus wrongly — to leave school and join the training scheme, unless the Government introduces educational maintenance allowances.

This would be costly for the Government to adopt.

Howell denounces railmen for lack of productivity

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

AN OUTSPOKEN attack on the rail unions for their lack of productivity was delivered in the Commons yesterday by Mr David Howell, Secretary of State for Transport. He said no additional taxpayers' money would be forthcoming to meet their latest wage demands.

Mr Howell added that if the National Union of Railwaymen went ahead with its national strike threatened for Sunday, "It will be a disaster for the railways and an appalling setback for all hopes of a modern and efficient rail system."

The Minister's main criticism was directed at the Associated Society of Locomotive Engineers and Firemen whose record on productivity be described as "atrocious." But he also made scathing comments about the NUR, accusing it of failing to deliver on productivity agreements.

He said the industry had been bled of £80m in the "fruitless and pointless" Aslef disruption earlier in the year. This had severely constrained what could be offered in pay increases during the current year.

"The alternative is for the taxpayer to pick up the bill for the Aslef behaviour. It is not an alternative which the Government is prepared to contemplate."

Mr Howell was speaking in a debate on a Labour motion deploring the Government's refusal to intervene in an attempt to avert the rail strike. The motion recognised the unions' contribution to manpower savings on the railways and regretted the Government's failure to match this with new investment.

"What we are talking about is the need to end restrictive practices as a necessity for the survival of the railways in their present form," the Secretary of State said.

"The reality is that the industry is now in a very dangerous condition. The demand for more taxpayers' money is promoting a delusion that there is an easy way out of the difficulties which are now faced. There is not."

The inquiry by the Advisory Conciliation and Arbitration Service and the McCarthy tribunal had said what should be done on flexible rostering. Instead, Aslef had taken the 3 per cent pay increase last year but had failed to surrender its restrictive practices.

Mr Howell was prepared to concede that the NUR's record was far better than Aslef's and that it had co-operated on de-manning. But on several points there had been no delivery by the NUR

Mr Albert Booth, Labour's transport spokesman, said the Government's failure to provide adequate investment could bring about a collapse of the rail network.

The Labour motion was defeated by 50 votes (288-238).

Without a vote the House then approved a Government motion welcoming the substantial financial support which it had given to the railways and deploring the threat of strike action.

Compromise may be offered, Page 12

Tribune doubts over report on militants

By Our Political Staff

Growing unease over the implications of the Labour Party's report on the Militant Tendency has spread to the Tribune Group, whose members last night expressed strong opposition to some of its findings.

In particular, they appear disturbed by the report's proposal that the party should establish a register of all groups permitted to function within it.

Two representatives of the Militant Tendency, who hoped to address the meeting, were excluded by a vote of 10 to 9. Only one of the MPs present, however, Mr Stan Orme, is understood to have spoken unequivocally in favour of the report.

Mr Orme is one of the staunchest supporters of Mr Michael Foot, the party leader, who has called on all members to back the report.

The findings, published at the weekend, say that Militant is operating as a party within a party, in contravention of the Labour constitution. But the recommendation that the party should keep a closer check on all groups, through the setting up of a register, is seen by many on the left as an attack on the plethora of left-wing fringe groups.

At least seven Tribune MPs are understood to have spoken out strongly against the report

The national executive committee is expected to approve the report, tomorrow, though possibly by a narrow majority. Tribune decided to postpone until next Monday any discussion on whether it should seek to register as a group.

Tribune is one of the oldest and most respected of all the party's groups — Mr Foot is a former editor of Tribune — and many of its older members have drifted from the left to the centre of the party. It is not regarded as being under any threat from the proposed tightening of controls.

SDP LEADERSHIP BATTLE

Jenkins puts stress on Alliance

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

THE SOCIAL Democratic Party's self-denying ordinance on personal attacks in the leadership campaign was coming under increasing pressure yesterday as the contest entered its second week.

Mr Roy Jenkins launched a thinly veiled attack on Dr David Owen's views on the alliance with the Liberals, in which he managed to convey the impression, without actually mentioning his opponent by name, that Dr Owen's election would make it more difficult for the alliance to get votes to form a governmnet.

There could be nothing more damaging to the alliance he said, than suggesting that the two parties would put up candidates against each other, once electoral reform had been achieved. To do so would have a "devastating effect on the electorate."

Mr Jenkins speech was within the ground rules between the two candidates at the start of the campaign in that it did not contain any direct reference to Dr Owen, but it was clear that Mr Jenkins intends doing all he can to exploit the idea that while his election would strengthen the alliance, Dr Owen's would damage it.

Mr David Steel, the Liberal leader, has already made clear that while he would be prepared to stand aside for Mr Jenkins as leader of the alliance, he would not do so for Dr Owen.

Mr Jenkins said yesterday that the country would not "buy a pig in a poke." It would not vote for an alliance, which hoped to beat a Government, without knowing who the Prime Minister was to be. For that reason, he said, it was essential to agree upon an alliance leader well in advance of a general election.

In one of a series of television and radio interviews given by the two candidates at the weekend Dr Owen repeated his view that, once electoral reform had been achiever, the Liberals and the SDP would be able to put up separate candidates. He was careful to emphasise the value he put on the alliance.

Yesterday in an interview published in Alliance magazine, Dr Owen reaffirmed his belief in the need for a long-term relationship with the Liberals. He saw the partnership as "permanent as far as the eye can see." Having achieved proportional representation, "we should go into an election under PR saying that we would intend to continue our coalition."

Dr Owen said be was often portrayed as the candidate less committed to a close relationship with the Liberals. "I believe that our relationship is strengthened by retaining our separate identities."

By-election 'deposits in danger'

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

ALL THREE of Labour's opponents in Thursday's by-election in the Scottish constituency of Coatbridge and Airdrie may lose their deposits, Mr Tom Clarke, the Labour candidate predicted yesterday.

He was speaking during the morning round of party Press conferences where it appeared Labour's only real worry was the size of the turnout later this week. The party have controlled the constituency for over 30 years.

Mr Bruce Millan, shadow Scottish Secretary, said the public would be dismayed if the Falklands conflict had to be paid for in the form of cuts to public expenditure which could create further unemployment.

Earlier Mr Sandy Henderson, the Alliance candidate, came close to contemplating defeat by saying he was looking for a vote that would give the party credibility. "But I am not throwing in the towel," he said.

By his side Dr Dickson Mabon, the Social Democrat MP for Greenock and Port Glasgow, said the Alliance needed a long sustained campaign to be able to win the constituency. Turning to Mr Henderson Dr Mabon said: "There might be a fluke result and you might get in."

Mr Hugo de Burgh, the Conservative candidate predicted inertia among Labour voters and insisted he was out to win. He thought local issues rather than the Falklands would be foremost in voters' minds.

Mr Ron Wylhie for the Scottish National Party said he, too, was out to win the by-election and thought there would be a low turnout among the electorate. He emphasised the party's drive for support among trade unions by condemning the Employment Bill as extremely harmful to trade union rights.

Lloyd's links 'the basis of success'

By John Moore,
City Correspondent

LINKS between Lloyd's of London insurance broking interests with underwriting syndicates at Lloyd's had proved the basis of the insurance market's success, a House of Lords select committee was told yesterday.

In his closing address on behalf of a number of Lloyd's brokers and underwriting interests which are seeking to prevent the forced sale of shareholding links between brokers and underwriters, Sir Frank Layfield, QC, told the Lords committee reviewing the Lloyd's Bill that a substantial body of new evidence had been presented.

On analysis, he said, the weight of evidence suggested that divestment of the shareholding links would damage the London market.

He said that no submissions had been made to Sir Henry Fisher, the former High Court judge who reviewed Lloyd's self-regulation and whose report formed the basis of the new legislation, of the likely impact on the flow of business to the London market.

Sir Frank argued that much business placed in the London insurance company market was placed in the same way as at Lloyd's, through agencies. He said witnesses had described how the trend towards vertical integration in the insurance world was intensifying.

The "subtle cohesion" between broking and underwriting interests and its long-standing basis has proved successful. It was important that the success should be reinforced.

Tebbit concession on benefit

BY IVOR OWEN

DISPLAYING conciliatory skills which seemed to surprise his supporters as well as his opponents, Mr Norman Tebbit, Employment Secretary, put his personal preferences aside yesterday to ensure the successful launching of the Government's £1bn youth training scheme.

He reaffirmed his belief that young people should not be entitled to supplementary benefit in their own right but announced that it would continue to be available to 16-year-old school-leavers for at least a year from the introduction of the new training scheme in September 1983.

Mr Tebbit described the Government's view—that young people, whether in education, the new training scheme, or unemployed, should generally be regarded as dependents on their parents for the first year after reaching the minimum school-leaving age—as "socially and morally right."

Then, acknowledging the view of employers and unions that withdrawal of supplementary benefit from 16-year-olds might prejudice the new training initiative Mr Tebbit declared: "I think more of the future of those youngsters than I do of the views I have expressed so strongly."

Mr Tebbit confirmed that youngsters who unreasonably refused a suitable training place would, like adults, have their supplementary benefit reduced for six weeks.

The new scheme is designed to remove the threat of unemployment, from all 16-year-old school-leavers, during their first year on the labour market. It will bring together some 460,000 employed and unemployed young people, under a single integrated scheme to help them acquire the skills they need

Mr Tebbit acknowledged that the Government had enlarged the scheme originally proposed by accepting proposals made by the Manpower Services Commission and explained that, with employers sharing in the training costs, a training allowance of £1,300 a year would be apropriate for the launch of the scheme in September 1983.

The size of the training allowance and the question of excessive travel costs would be reviewed next summer

Mr Eric Varley, Labour's shadow Employment Minister, praised the role of the Manpower Services Commission in improving the scheme.

He underlined its achievement in convincing Mr Tebbit that "had he persisted with his ludicrously low level of allowance and withdrawal of supplementary benefit from non-trainees, the scheme would have been unworkable."

Margaret van Hattem portrays a key Thatcher aide and fixer

The man MPs call 'Supergrass'

ONE OF Mrs Thatcher's strengths is her capacity to keep in touch with the lower ranks in the Tory Party. More often than not, her chosen instrument is her Parliamentary Private Secretary, Mr Ian Gow, the MP for Eastbourne.

Mr Gow, 45, known in Westminster as "Supergrass," is the Prime Minister's portly shadow. Everywhere she appears in public, his stooping figure, spectacles glinting, balding head cocked forward expectantly like a retriever, is detectable a discreet pace or two behind.

Every morning, as Mrs Thatcher descends from breakfast to her office at No 10, he is there waiting for her. Late at night when she leaves the Commons, he remains behind to patrol the corridors, popping in to hear what is being said at a meeting of back benchers, scooping up the odd loiterer for a drink and a chat.

He attends, if only for a few minutes, virtually every Tory back bench meeting that takes place at Westminster, carefully noting not only what is being said but also the tone of the discussion and the number present.

He is, by general consent, a "workaholic." He deals with the Prime Minister's correspondence, attends many of her meetings, takes part in briefing sessions before Prime Minister's Questions and acts as her liaison officer with the party. At weekends, he is often to be found, with his wife, at Chequers.

His devotion to the Prime Minister is beyond question. "He just adores her," a colleague says. "He also agrees with her on just about everything. He treats her in the manner of an old-style family solicitor with one of his most treasured clients."

It is perhaps because of this loyalty and willingness to be utterly at the Prime Minister's disposal that he enjoys more influence than is customary in his position. He has become her personal fixer, dealing with back benchers and sometimes even Cabinet Ministers, where she cannot be immediately available, speaking for her among the restive, providing access to her, carrying out in a more personal, informal way much of the function of the party whips.

"He is not just her eyes and ears," one MP says, "he's a sort of third hand and to some extent her mouth as well."

To his former schoolmates at Winchester, Mr Gow's rise in the world has come as something of a shock. He does not appear to have shone at school. Mediocre at games (he has since become a whizz at ping pong), he was considered to be only average intellectually.

Ian Gow: loyal and willing "workaholic"

"He was already quite a good manoeuvrer," one former schoolmate recalls. "He was keen on debating. We were once on the same side in a big debate and pooled ideas beforehand. He led, I was second speaker. To my horror, he took everything that I was going to say."

From these Widmerpool beginnings—one of his Tory colleagues says he even looks like Widmerpool, the key character in Anthony Powell's Dance to the Music of Time sequence of novels—Mr Gow went on to national service with the 15th-19th Hussars, rising to the rank of major during active service in Malaya. He later qualified as a solicitor, becoming a partner in the eminently respectable firm of Joynson Hicks and Co.

His apprenticeship in the Tory Party involved fighting two hopeless seats—Coventry in 1964 where he stood against Richard Crossman and Clapham in 1966 —before winning the safe seat of Eastbourne in February 1974.

He was subsequently co-opted to Mr Airey Neave's shadow Northern Ireland team, where he found himself in close sympathy with Mr Neave's staunchly pro-unionist views. It is widely believed that it was Mr Neave who first singled him out for Mrs Thatcher's attention.

In his early days as an MP, his sociability appears to have won him a wide circle of friends across the party spectrum. "He was always terribly right-wing, almost paranoid about it," says one MP on the left of the party, "but you couldn't help liking him. He liked his claret and his White Ladies and was a bit wild in a cavalry officer sort of way . . . once danced on a table in the Harcourt Room for a dare. Of course he realised he was on parade the moment he got the job."

As the Prime Minister's aide de camp, his old fashioned correctness came to the fore—he is said to be the only man at Westminster who still wears sock suspenders—but his sociability has proved invaluable in his untiring efforts both to cultivate those who do not share his views and to ensure that the Prime Minister always has company in the smoking room or at party conferences.

"Ian's a wonderful major domo," says one MP. "Wonderful at making sure everyone has a drink . . . that the PM has someone to talk to. Then he'll whisk her off to an appointment, she complaining 'Oh dear, my life's not my own.' Enables her to drop the headmistress bit and be a bit feminine."

He remains widely liked, a point illustrated when he made his only speech of the current Parliament two years ago, in support of a private Bill on the Eastbourne Harbour development. More than 180 Tories, including the Prime Minister and several Cabinet Ministers, stayed up unwhipped until after 6am to hear him speak and to vote for the Bill.

In choosing Ian Gow as her PPS, the Prime Minister has secured a liaison officer closely in harmony with her own thinking on the economy, on law and order, on foreign affairs, on virtually everything except hanging, which he has consistently voted against.

This congruity may lessen his political influence with her, in that she may try to balance her own views by seeking advice from less biased sources. But it has enhanced his status as her mouthpiece, enabling him to lobby effectively against the current Northern Ireland Bill, of which he thoroughly disapproves though he has dutifully voted for it.

It is largely because of his efforts that many of the Tory rebels against the Bill believe they have the Prime Minister's tacit support. Indeed, his activities proved so disturbing to Mr James Prior, the Northern Ireland Secretary, that he complained to the Prime Minister who then instructed Mr Gow to desist.

The incident does not, however, appear to have diminished his standing in her eyes and it is widely expected that he will sooner or later be promoted to at least a junior ministry. Some predict that he will be promoted straight into a non-portfolio Cabinet position.

For he has served the Prime Minister tirelessly and well in a job that carries few rewards. Mr Gow lists his Sussex address in Who's Who as The Dog House. It is not a joke, but so long as Margaret Thatcher remains leader of the Tory Party, it could be—and one he could comfortably afford to make.

BASE LENDING RATES

A.B.N. Bank	12½%	Robert Fraser	13 %
Allied Irish Bank	12½%	Grindlays Bank	‡12½%
American Express Bk.	12½%	■ Guinness Mahon	12½%
Amro Bank	12½%	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Heritable & Gen. Trust	12½%
Arbuthnot Latham	12½%	■ Hill Samuel	§12½%
Associates Cap. Corp.	13 %	C. Hoare & Co.	†12½%
Banco de Bilbao	12½%	Hongkong & Shanghai	12½%
BCCI	12½%	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	12½%	Knowsley & Co. Ltd.	13 %
Bank of Ireland	12½%	Lloyds Bank	12½%
Bank Leumi (UK) plc	12½%	Mallinhall Limited	12½%
Bank of Cyprus	12½%	Edward Manson & Co.	13½%
Bank Street Sec. Ltd.	14 %	Midland Bank	12½%
Bank of N.S.W.	12½%	■ Samuel Montagu	12½%
Banque Belge Ltd.	12½%	■ Morgan Grenfell	12½%
Banque du Rhone et de la Tamise S.A.	13 %	National Westminster	12½%
Barclays Bank	12½%	Norwich General Trust	12½%
Beneficial Trust Ltd.	13½%	P. S. Refson & Co.	12½%
Bremar Holdings Ltd.	13½%	Roxburghe Guarantee	13 %
Brit. Bank of Mid. East	12½%	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	12½%
Canada Perm't Trust	13 %	Standard Chartered	‖12½%
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	12½%
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	12½%	TCB	12½%
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	12½%	Whiteaway Laidlaw	13 %
Choulartons	13 %	Williams & Glyn's	12½%
Citibank Savings	¶12½%	Wintrust Secs. Ltd.	12½%
Clydesdale Bank	12½%	Yorkshire Bank	12½%
C. E. Coates	13½%		
Comm. Bk. of Near East	12½%		
Consolidated Credits	13 %		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
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† 7-day deposits on sums of: under £10,000 9½%. £10,000 up to £50,000 10¼%, £50,000 and over 11%.
‡ Call deposits £1,000 and over 9½%.
‖ 21-day deposits over £1,000 10½%.
§ Demand deposits 9½%.
¶ Mortgage base rate.

A word in the right ear . . .

Tim Dickson reports on one man's efforts to widen tax relief rules on equity stakes

IF YOU want to get something changed in next year's Budget, you might try asking Frank Eliel.

Eliel is the 35-year-old finance director of Norwich-based Datron International and must be one of the few people in the UK who can claim almost single-handedly to have influenced the content of this year's Finance Bill.

His efforts, he would be the first to admit, will not on their own set the small business sector alight.

But, besides enabling two of his boardroom colleagues to buy shares in Datron, they will give a timely boost to those small company managers who believe key employers should be given the opportunity to purchase a small equity stake in their business.

What Eliel has done is to persuade the Government to remove a restriction on the availability of tax relief for those borrowing to buy shares in a close company. (Broadly speaking a "close" company is one controlled by five or fewer people).

Alternative

At the moment relief is available *provided* the investor holds 5 per cent or more of the shares in the business. Once the current Bill becomes an Act, however, there will be an alternative condition dating back to March 9 this year. As a result shareholders will qualify for tax relief on interest if they can show that they have worked for the greater part of their time in the management or conduct of the business.

Eliel himself has benefited from this relief having been offered the chance to buy 8 per cent of Datron when he joined the business full time in 1979.

Founded 10 years ago by John Pickering and Geoff Cannell, two former executives of the U.S. Dana Corporation, Datron is a private company which today employs just over 100 people at Norwich making highly sensitive electronic measuring equipment. Besides the steady development of new products, Datron has also been keen to encourage as much employee and management participation as possible.

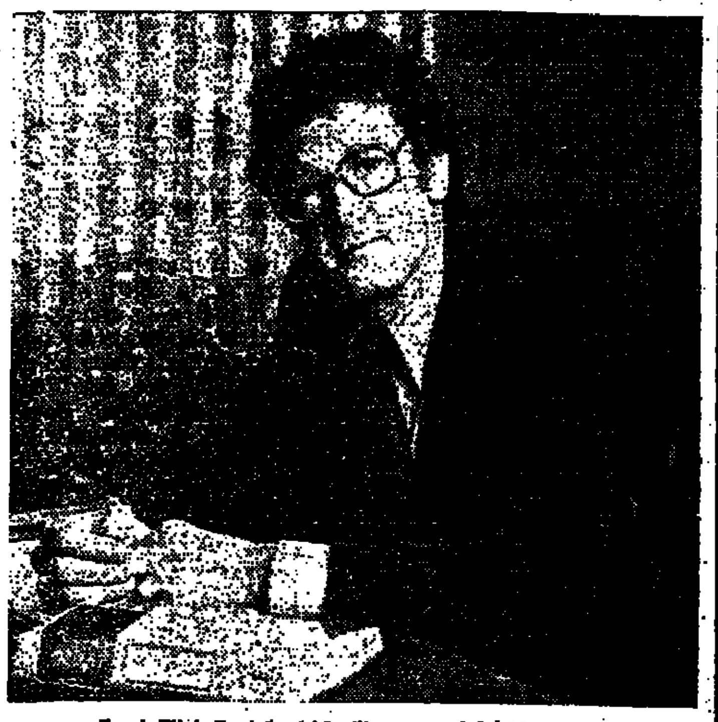
Eliel explains: "When we put together my package we decided that as part of our management philosophy we wanted to allow key employees to share in our success. We do not believe in giving the shares away to people on say a profit sharing basis but we do think directors and some other employees should be able to buy them. If you have borrowed money to take up your entitlement, the monthly interest outgoings on a bank statement provide the very best incentive to make the capital value of those shares worth more."

Eliel, however, was conscious from Datron's experience that the 5 per cent requirement imposed serious constraints.

"You can't give everyone in the company 5 per cent or more and its obviously impossible with more than 20 shareholders." At the same time valuing our shares as we do on the basis of net asset value at the last balance sheet date, a mere 2 per cent in Datron costs £13,000 or £14,000. Not very many people have that sort of spare cash so they almost certainly have to mortgage their house and borrow. Without the tax relief on the interest, that becomes a very expensive exercise."

Datron's acquisition plans last year—shelved for the moment because of the recession—highlighted another more personal problem which could have been caused by the 5 per cent rule. "We wanted to go into manufacturing in the United States but rather than setting up from scratch we reckoned we should buy an existing business with a compatible product range which we could sell in the UK and Europe.

"There was no way that we had enough money to do this so the only alternative was to give away shares. In such a situation the chances were that my stake in the company would have fallen below 5 per cent and I would instantly have forfeited my tax relief."



Frank Eliel: Explained his dilemma to John MacGregor

Eliel's opportunity to air his views came at a meeting in Ipswich last November organised by the Department of Industry as part of the Business Opportunities Programme (BOP).

The BOP was essentially a huge public relations drive by the Government to publicise the range of public sector assistance now available for small firms. Altogether the BOP "roadshow" visited more than 70 different towns and John MacGregor, the Industry Department Minister with special responsibility for small firms reckons that as a result of this hectic programme he met as many as 5,000 individual businessmen.

Delighted

It was MacGregor, in fact, who arrived on November 10 to chair the Ipswich event.

"I got up at the meeting and explained our dilemma, pointing out that the 5 per cent rule was hampering industrial democracy and that two of our directors who hoped to take up shares might not be able to do so," recalls Eliel. "Mr MacGregor told me to write to him and said he would see what could be done. He emphasised that any decision, however, would have to be made by the Chancellor of the Exchequer.

"I was naturally delighted when it was announced in the Budget on March 9th that borrowers could qualify for the tax relief as long as they were shareholders and worked for the greater part of their time in the management of the business. I wrote to thank the Minister and a couple of days later he wrote back to thank us for drawing it to his attention."

The result is that John Reeder, company secretary of Datron Electronics, the main operating subsidiary, and Paul Stevenson, production director of the same subsidiary, will each be buying 1,000 shares in the parent company later this year. "I would not have been able to take up my entitlement without the relief," says Stevenson. The idea is to expand the Datron scheme to other key employees later this year, or next year.

The timing of this move may well depend on the results of Datron, which in common with other companies in this sector, is going through a difficult patch at the moment. The company makes True RMS volt meters and digital volt meters designed to perform to a very high degree of accuracy.

Most of the company's output goes into aerospace and defence Datatron digital meters, for example, are used to test the recently topical Rapier, Sea Dart and Sea Wolf missiles.

Turnover, however, has stubbornly stuck at around £2½m in the last couple of years and with Datron ambitiously opting to finish off its £1m research and development programme and keep its U.S. sales and marketing operation going, profits are only just going to be on the right side of break even in 1982.

Buying a stake in buns to technology

"MASTER shareholders" in Electra Risk Capital (ERIC) will find from their first half-yearly report, due shortly, that they are backing businesses as diverse as a Hamburger bun manufacturer and a Scottish barytes mining company to a software house and a Windsor-based specialist medical equipment supplier.

With £8.6m originally in its coffers ERIC is by far the biggest of the approved funds set up under the Government's Business Start Up Scheme last year.

The scheme was designed primarily to allow individuals to claim relief at their top marginal rate of income tax on an investment up to £10,000 (now £20,000) in a "new" company—"new" being defined as up to five years old. Following fierce lobbying during the committee stage of last year's Finance Bill, however, an amendment was introduced enabling managed funds to be established to help investors identify the more promising opportunities and still take advantage of the concessions.

Parameters

Under the terms of the legislation each of its 1,811 Master Shareholders owns a proportionate stake in a company when ERIC makes an investment. Following the end of the tax year when that investment is made appropriate tax relief can be claimed. ERIC is limited to investing in companies less than five years old and has set its own parameters of investing not less than £50,000 or more than £850,000 in any single situation.

According to Gordon Dean, the managing director of ERIC responsible for day to day operations, the fund has now completed eight investments totalling just over £1.6m. A further 10 should be completed shortly and these will swallow up another £2m.

Dean says he is currently receiving around half a dozen investment propositions a week, ranging from start ups and existing businesses requiring additional finance to joint ventures to develop new products with big companies and offers for participation in investment syndicates.

Although companies backed by the fund to date cover a number of sectors, growth is expected to come primarily from the new technologies such as computer applications and satellite and cable television, including video.

Gordon Dean

Among the most recent of the eight completed investments is Frolward, a manufacturer of hamburger buns, hamburgers and other food products to which ERIC has subscribed £251,250. The extra capital will enable the company to meet growing demand for its products by buying additional production capacity.

Elsewhere the fund has paid £225,500 for a 50 per cent stake in Acutech International, a company which will manufacture plastic extrusions which accurately copy the grain and finish of different woods. Michael Kirkby, Acutech's managing director, will hold the other 50 per cent while an ERIC nominee will become part-time executive chairman.

Other investments include £125,000 in Protel Computer Systems, a new business started by Mr Michael Tooms to provide operational support systems for TV and radio broadcasting companies; and £250,000 for 40 per cent of Venture Out, operators of business centres.

Although he has reservations, Dean says that "based on our experience so far we regard the Business Start Up Scheme as a success. It must be appreciated that it will take some time for the momentum to gather and to deploy investment funds within the parameters of the legislation.

"There are plenty of people around who wish to start up—the best hope, however, lies with those coming out of big companies."

Electra Risk Capital, Electra House, Temple Place, Victoria Embankment, London WC2R 3HP. Tel: 01-836 7766.

Tim Dickson

Backing buy-outs

MANAGEMENT buy-outs are increasingly seen as one solution to the problem experienced by big groups of "surplus" subsidiaries and as an answer to the entrepreneurial urge of many managers working in large organisations.

The accompanying table—taken from an article by Mike Wright and Mike Jarrett of the Department of Industrial Economics, to be reproduced shortly in the National Westminster Bank Quarterly Review—shows which financial institutions have been leading the way and the average size of the deals they are tending to arrange.

The biggest contrast is between the Industrial and Commercial Finance Corporation and Candover Investments, which between them vie for recognition as the leading management buy out specialists.

Candover, which was set up by Roger Brooke with the backing of several leading UK investment institutions completed only six deals in 1981, but committed more than £30m in the process. ICFC, on the other hand, financed 80 buy-outs in the same period but the average size of each transaction was only £250,000.

● The inaugural meeting of the Management Buy-Out Association (MBA) will be held on Thursday July 8 at Midland Bank Industrial Finance, Scottish Life House, 56, Poultry, London EC2, at 4 pm.

The moving force behind the association is George Bloomfield of Melville Technologies, who bought out a part of a division of Alfred Herbert in September 1980. He contacted the Financial Times earlier this year and the idea was first floated on this page in April.

His address is Melville Technologies, Spring Road, Letchworth, Hertfordshire.

SCOREBOARD OF MANAGEMENT BUY-OUTS 1981

Institution	No.	Total Finance* £m	Average Size of Buyout £m
	(1)	(2)	(3)=(2)÷(1)
Barclays Development Capital	4	11.0	2.75
Candover Investments	5	30.9	6.18
Charterhouse	6	5.0	0.83
Citicorp	7	3.3	0.47
County Bank	20	11.4	0.57
Equity Capital for Industry	4	2.3	0.58
Guidehouse	2	n.a.	n.a.
I.C.F.C.	80	20.0	0.25
Total	128	83.9	0.67†
Other Non-Financial Divestments	121	247.3	2.04
Liquidations	8,407	n.a.	n.a.

Sources: Financial Institutions: British Business magazine, January 22 and February 5, 1982.

* Finance raised by institutions for management buyouts includes both equity and loan funds, and relates to both individual and joint deals.
† Based on 126 cases for which values are available.

In brief . . .

Those who feel that much academic research on small firms has little practical value may be convinced otherwise by the programme for the forthcoming Fifth Annual Research Conference organised by the Small Business Management Education Association.

For suggestions on how research can be more helpful to those taking policy decisions is the main theme of this year's conference, to be held at the University of Glasgow from September 9 to 11.

The cost is the same as last year—£130—though busaries of £50 will be available. The conference is being supported by the Bank of Scotland, National Westminster Bank and the Foundation for Management Education and will have a Tartan flavour given the presence of the major Scottish support agencies and an address by Alex Fletcher, Scottish Minister for Education and Industry, with particular responsibility for small firms. It is, however, very much a national event.

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UK NEWS — LABOUR

Railmen may offer strike compromise

BY PHILIP BASSETT, LABOUR CORRESPONDENT

BRITISH RAIL is to maintain a firm line when it meets the unions today, in spite of the indefinite strike set to start on Monday by the National Union of Railwaymen, BR's largest union.

There were indications last night, however, that the NUR might approach this afternoon's meeting of the Railway Staffs' National Council armed with proposals for some sort of compromise, which might possibly lead to the strike being deferred.

Talks with the unions over the strike called in response to BR's 5 per cent pay offer were arranged following an adjournment of last week's RSNC meeting to give all parties time for reflection and, in particular to allow union negotiators to seek new mandates from the executive committees.

BR seems unlikely to move far today from its position of insisting that the 5 per cent offer is dependent upon the union's agreeing to six outstanding productivity improvements.

Senior BR officials last night were taking a gloomy view of the talks. In particular, they rejected the possibility that following the payment of 50p per shift to NUR guards for accepting more flexible work rostering, BR might accept commitments from the unions on other items—particularly from the NUR on single manning of trains.

There is a rough proposal to try out the two ideas from BR and the NUR on single manning. The unions are not keen. But if the NUR is found to have changed its mind, this could form the basis of a compromise.

There were guarded hopes last night that the NUR might be considering a concession on their stand against single manning on the Bedford-St Pancras line—where trains running without guards should be operating.

Some BR officials said Bedford-St Pancras had now become as important an issue as flexible rostering is for the train drivers' union. Leaders of the Associated Society of Locomotive Engineers and Firemen were still meeting on pay and rostering last night.

Hopes were being raised that any shift in the current serious position might be enough to allow the NUR to defer its strike. While this might leave a decision to the NUR annual conference, which is more moderate than the union's executive, it is also possible the decision might pass back again to the executive.

● The biggest steel union will prevent the troubled British Steel Corporation from sending products by road if the rail strike goes ahead next week.

Mr Bill Sirs, general secretary of the Iron and Steel Trades Confederation, yesterday appealed to all sides in the rail dispute to negotiate a settlement and prevent severe damage to both British Rail and British Steel. He was speaking on the eve of his union's annual conference at Douglas, Isle of Man.

Steel union calls for boycott on U.S. goods

BY BRIAN GROOM, LABOUR STAFF

MR BILL SIRS, general secretary of the Iron and Steel Trades Confederation, called yesterday for retaliation against the U.S. Commerce Department's ruling that 40 per cent duties are payable on imports from the British Steel Corporation.

The ISTC leader is writing to Mr Patrick Jenkin, the Industry Secretary, calling for "retaliatory measures against the 200,000 tonnes of steel which the Americans export to Britain."

He said trade unionists in Britain could show their anger by boycotting U.S. agricultural produce.

"We could also make our feelings known by taking action in the High Street by refusing to buy everything American, from Coca Cola and MacDonald's hamburgers to Kentucky fried chicken."

Mr Sirs was speaking on the eve of his union conference at Douglas, Isle of Man.

The State-owned BSC's problems will figure prominently. The corporation has already begun a review of plants, to lead to more cuts and possibly closure of one of its five main sites, because of a fall in orders.

The conference today will debate a motion of no confidence in the approach of Mr Ian MacGregor, BSC chairman, to industrial relations. Mr Sirs will propose it.

He said last night that the U.S. action "could have serious repercussions

While his union was not against selective import controls to protect domestic industry from goods dumped at prices below cost, "We cannot accept that what the American Government is doing is fair and just."

The U.S. was singling out British Steel for heavier duties than other countries because of its State subsidies, he said, "but those subsidies are not to enable BSC to produce cheaply; they are subsidies to help the Corporation shut down whole areas of steelmaking in Britain," combating the chronic over-capacity in the European steel industry.

"Britain has cut by more than any other European nation, and this has cost money, and the Americans, with their hatred of State-run industries, have taken advantage of the situation."

More Midland Bank job cuts

ANOTHER 134 jobs are to go at the Midland Bank offices in Sheffield. The department, which runs the bank's premises, is to be cut from 186 staff to 52.

This follows last week's announcement that the bank's registrars department is to close with the loss of 106 jobs.

Power pay rise

PAY RISES ranging between 7.3 and 7.6 per cent have been agreed for 20,000 engineers in the electricity supply industry.

The settlement, reached last Friday between the Electricity Council and the Electrical Power Engineers' Association, is nearly 2 per cent lower than the 9 per cent agreed for the industry's 90,000 manual workers.

TUC-Labour strategy agreed

BY JOHN LLOYD, LABOUR EDITOR

TRADE UNION and Labour Party leaders yesterday set their seal on a programme which commits a future Labour government to what would be the most radical extension of planning and trade union rights ever attempted in Britain.

The document agreed by the Trades Union Congress-Labour Party liaison committee, "Economic Planning and Industrial Democracy," crowns two years' work by Labour movement leaders and officials. It will be formally published next month, and will go to Party and TUC conferences in the autumn for adoption.

At the core of the strategy, which will now dominate Labour movement debates for years to come, is a two-pronged policy of extending planning over the main areas of economic and industrial life, with a commensurately large increase in the rights of unions to intervene in the planning process at every level.

The report notes that economic decision-making continues to become more centralised and less accountable while at the same time, unions' collective bargaining agendas are widening.

In order to extend planning and make it accountable, the report proposes a battery of institutions, legislation and government action. These include:

● A Department of Economic and Industrial Planning, headed by a senior cabinet minister. Much discussion within the liaison committee has focused on the scope of this department *vis-a-vis* the Treasury: the report solves the incipient dispute by allowing the Treasury to retain oversight of public expenditure, while the planning department would prepare expenditure priorities "related to the key objectives of job creation and industrial regeneration."

● The planning department would sponsor a National Investment Bank and a rejuvenated National Enterprise Board, which would return to its former role as promoter of state ownership in expanding and advanced industrial sectors.

● The department would also "focus the activities" of the National Economic Development Council and the Manpower Services Commission.

● A Price Commission would be established, which would counter inflation and act as an efficiency audit on private companies.

● The annual Public Expenditure Survey Committee exercise, in which public spending priorities are agreed, would be opened up to union and other influences. The report says that Pese should become "the collective exercise at cabinet level

● Development plans would be agreed between the Government and private companies, covering company policies on purchasing, imports, investment, pricing and training. The planning department would have reserve powers to issue directives, and to invest in or purchase companies in order to "ensure that companies participate constructively."

In the area of industrial democracy, the report proposes a range of rights to information and consultation. Unions would obtain information on the financial position of their companies; on its investment plans; its performance output, productivity orders and sales; on the wages and benefits it paid.

They would be consulted on decisions affecting the whole or part of their companies, such as closure, mergers, rationalisation and new investment. The report says: "No such decisions should be implemented until the trade union representatives of the workers affected by them have had a chance to respond within a set period of 60 days."

The notable lack in the report remains the vexed question of an incomes policy — a gap which is thinly covered by a reference to the annual "National Economic Assessment," which would cover "the share of the national income going to profits, to earnings from employment, to rents, to social benefits and to other incomes."

Rising damp in Scots pits

Mark Meredith looks at the concern among miners as the Scottish coal industry faces an uncertain future

A TRACE of concern has appeared amidst the traditional definance and determination which characterise the annual conferences of the Scottish miners.

The miners have found themselves increasingly on the defensive although they do not show it. Demand for their coal is falling, Scottish pits make a loss for the National Coal Board, manning levels are declining and investment is nothing like what the union sees as necessary for a healthy industry.

There is a growing suspicion that the Coal Board regards its Scottish mines as peripheral. About a 12th of the national workforce is producing below one-tenth of the colliery coal in the country, the coal is of mediocre quality and the geology of Scotland notoriously faulty. The great future for coal seems to be south of the border.

It could have been quite a gloomy annual conference in Dundee last week. But the miners are far from a pessimistic union.

The mechanism of the union is geared to stating tough demands for better pay and conditions for dirt, difficult and dangerous work.

A traditional affiliation with the hard left — Mr Michael McGahey, the union president is a Communist — drives this machinery and seems suited to take it through the bad times which have set in.

The miners were not even subdued by the underground quality of the Angus Hotel where every possible influx of daylight was checked by heavy curtains and ballroom red and yellow lighting.

"We are used to the environment," a senior official reassured.

Seated, almost impatiently, at the executive head table, Mr McGahey, the union leader for 15 years, ran a tight conference. Resolutions moved along at a brisk pace

There was straight and practical talking by members of this very male industry. Demands for Donkey jackets and better winter clothing, more underground toilets, early retirement and a four-day week.

The Scottish branch of the union proposed a 35 per cent wage increase putting surface workers on a minimum of £120 a week. The idea will go to the meeting of the national union in Inverness next month.

Conference business was hustled through so that delegates could watch the latest World Cup fooball match.

Behind the meeting across the pints of beer the long-term problems of the coal mines in Scotland came to the fore. Their most critical problem is that their main customer wants less coal.

The industry hangs on the plans of the two electricity generating boards in Scotland. The South of Scotland Electricity Board alone consumed the equivalent of every lump brought out of Scottish mines —7.5m tonnes a year.

The Scottish mines produced 43.69m tonnes at their peak in 1913.

Over the next three to four years this demand for coal to fire power stations will drop to about 5m tonnes. Even in the longer term the demand will only return to its present level.

More non-coal generating capacity and falling industrial demand are working against the miners. Peterhead power station in Grampian has been converted to use North Sea gas and output from the troubled Hunterston B nuclear power station is improving. The closure of the Invergordon smelter at the end of the year deprived the electricity boards of one of their biggest customers.

The coal produced in Scotland is classified as general-purpose, low on the scale of coal grades. It is best suited for power stations and only fractional amounts go for domestic, export or for burning in coking furnaces.

The Scottish coalfields run from Ayrshire in the south-west along the central belt between Glasgow and Edinburgh on both sides of the Firth of Forth in Central Fife and Lothian regions.

The Coal Board presently has a £91m investment programme for the 14 working mines. Most of the attention is focused on the Longannet complex west of Dunfermline which links four mines. A fifth mine, Kinneil, is also being tied underground to the complex. Longannet produces nearly 2m tonnes a year.

Seven projects are underway but a substantial development to drive a new set of shafts under the fourth, just east of Edinburgh at Musselburg, has been bogged down for years in legal disputes brought up by local objections to mining development.

The Musselburgh basin, The miners also want the development of the Canonbie coalfield of better quality coking coal which stretches from Dumfries in the south-west under the Solway Firth. But this development may not be undertaken before the turn of the century.

The Scottish mines lost the Coal Board £28.9m in 1981 despite improvements in productivity the losses continue. On paper the work of the open cast mines offset the losses. They made £29.9m to keep the board in profit.

But the proportion of open cast work—most of it is centred in East Fife—is kept to a strict proportion by agreements between the union and the board.

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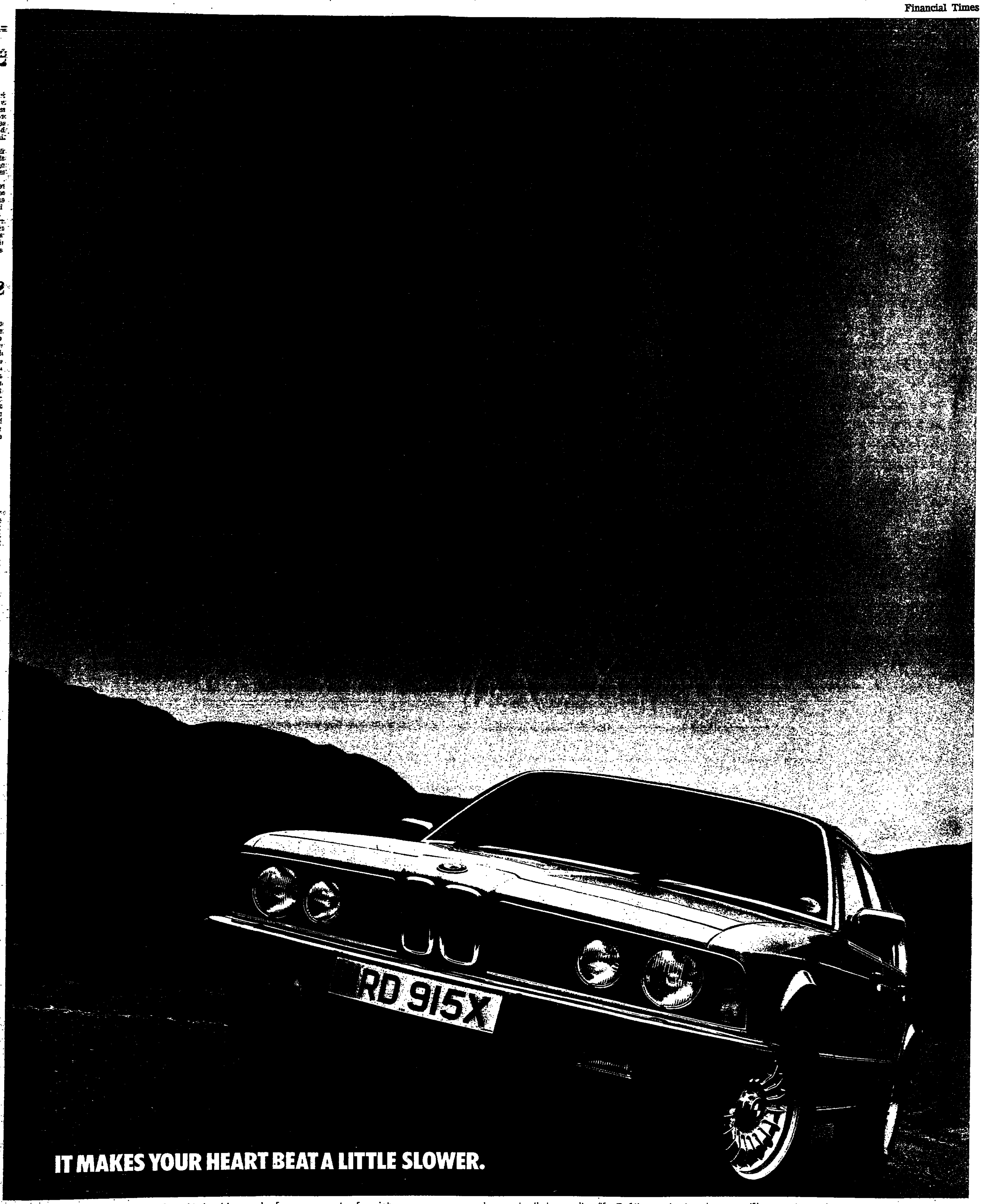

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TECHNOLOGY

EDITED BY ALAN CANE

Video brings upheaval to film laboratories

Video and Film

BY JOHN CHITTOCK

A PREDICTION expressed in this column a number of times over the last few years is now coming true.

Apart from the video challenge to the commercial cinema and broadcast television — now plainly evident for all to see— the production side of the short film business has been often singled out here as an area that would be substantially affected by video. The prediction has been not wholly negative: for some, it has been a signal of new opportunities ahead.

Film laboratories generally make their money out of the printing of copies of films. The processing of the original camera material — known as "front-end" work — represents only a small part of the potential revenue on a production; whereas the striking of release prints — sometimes 100 or more at a time — is almost a mass-production process with higher profit margins.

The bulk of film printing orders in recent years has been on 16mm stock.

But the dramatic switch to video — where cassettes are one-tenth the cost of 16mm copies and are much more convenient to use — has heralded a decline in the demand for 16 mm printing.

Quantification of this decline was exemplified to me last week by Video Arts — the training film company who have held up to managers worldwide an image of themselves mirrored by John Cleese. About 18 months ago only 2 to 3 per cent of bookings for Video Arts films were videocassette copies. This percentage has now risen to 30 per cent and is still growing.

Likewise, many industrial sponsors who once ordered 100 16mm copies of their films will now order only two or three with a bulk printing going on to videocassettes. Which may not matter for film laboratories which have a video duplicating facility, but not all of them have — and others were late into the field.

Meanwhile completely new companies have sprung up exclusively in the video duplicating business and with no film laboratory background at all, such as REW Video, part of Thorn EMI.

Video boom

The degree to which 16mm film printing could be affected is typified by the way the bottom dropped out of the market for 8mm film printing. Buck Film Laboratories, which specialised in this gauge saw the fall coming in 1980 and began to add videocassette duplicating facilities. Now the bulk of their old 8mm business is on videocassettes and with the boom in video the print orders may be up to ten times the numbers once ordered for 8 mm.

If some of the profitable duplicating work is now going to new companies outside the film laboratory business, the news is not altogether bad. The duplication of videocassettes is not the easy process it seems to be, and frequent are the complaints about poor quality cassette copies. The film laboratory business has considerable experience in the technology of image processing — some of which, I would dare to say, gives it an advantage over those with a purely electronic background even when the final process in the chain (video duplicating) is wholly electronic.

Most of film laboratories are capitalising on this experience, such as Filmatic, who are about to offer a film-to-tape transfer service based on new concepts of quality. Others, such as Colour Film Services, are extending their established tape-to-film transfer facilities — which have enabled video producers to order film copies from videotape masters — and intend now to offer video producers a new service exploiting some of the traditional advantages of film. The most important benefit comes through the ease with which film can be edited, whereas videotape editing demands very expensive equipment which —hired at very high hourly rates— inhibits experimentation in editing.

Universal Sound, the subsidiary of another laboratory, has extended this film-based experience to the dubbing of sound tracks for video programmes. Conventional methods of preparing sound tracks for films have again offered greater creative freedom than those used in video; the former are generally assembled from a wide variety of soundtracks, put together by trial and error on a cutting bench — whereas videotape usually requires the sound to be cued in live as the picture is running. Universal's system allows soundtracks to be assembled shot by shot against the videotape picture — which can be controlled on a viewing bench much like film.

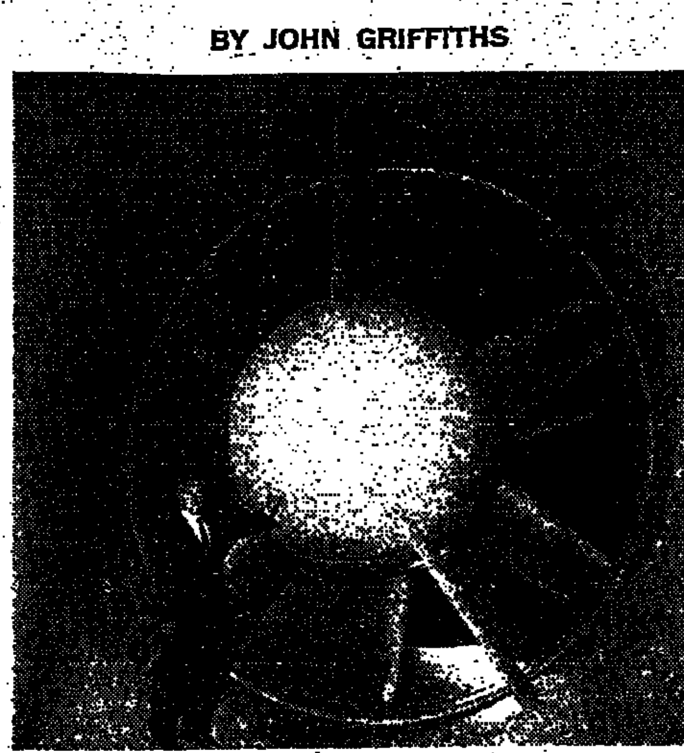
At least the producers are not complaining. Many of those at Brighton last week regarded video as a stimulus to the sponsored film business because it has created a new awareness in industry of the potential of moving pictures.

That awareness does not stop at the sponsors. When I asked Mr Ron Haddock of Chess Valley Films and Video what video had done to his company, his reply was succinct and shrewd: "Made us wake up."

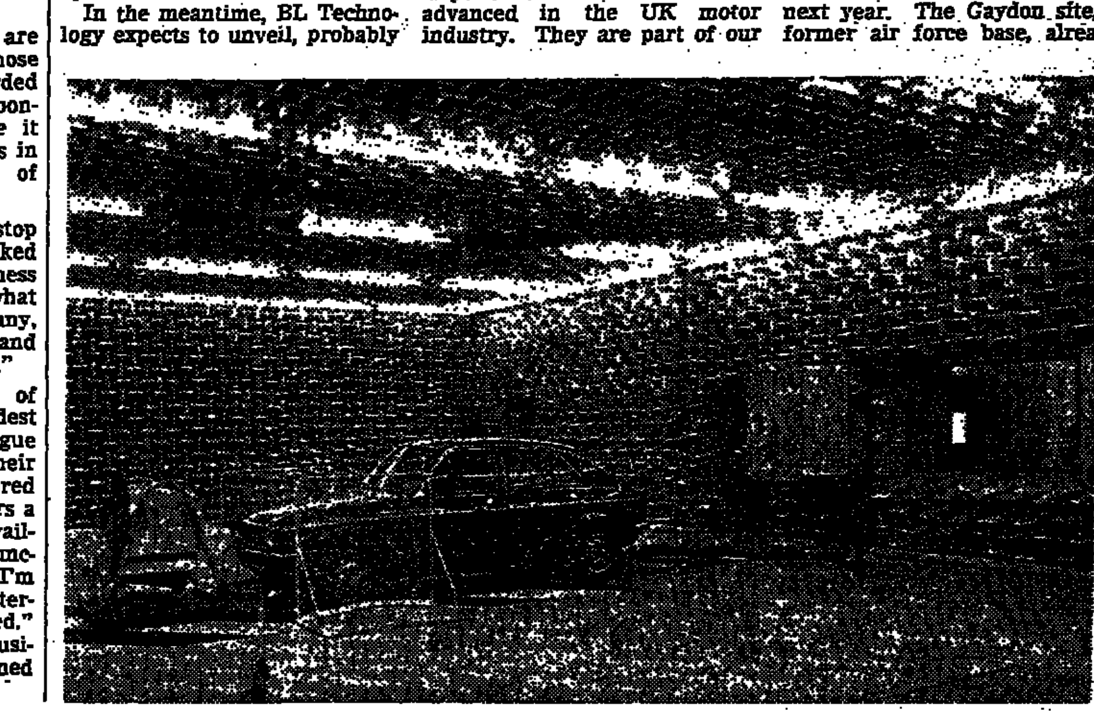
For the consumer side of video, however, the shrewdest remark came from his colleague —Mrs Heather Davies. Their company, 21 years in sponsored films, also runs for consumers a video club with 1,000 titles available, and thus sees both function and fiction at work: "I'm getting bored with being entertained—I want to be educated." For the consumer video business, that should be enshrined as the quote of the year.

BL drives for fuel economy

BY JOHN GRIFFITHS



Mr Harry Sheron, MD of BL Technology, above, with 4.8 m diameter tunnel fan; below, testing quietness in the Gaydon anechoic chamber



BL IS undertaking a wide range of research projects aimed at reducing vehicle fuel consumption by 50 per cent by the late 1980s, according to BL Technology, the state-owned company's research arm.

It is expected to achieve this through a combination of advances: by the use of lightweight materials, aerodynamics, high efficiency small capacity engines running on petrol, diesel or LPG, extensive use of plastics in bodyshell construction and high tensile light alloys for body structures.

Some £16m worth of new research and development facilities, including the UK's only climatic wind tunnel built at a cost of £8m, aimed to help meet these targets are to be opened today at BL Technology's Gaydon vehicle proving ground by Mr Norman Lamont, Minister of State for Industry.

BL appears to be rather more optimistic about the date by which such improvements can be made than Ford, which has said that if cost were no object, a massive research effort should be able to produce such an improvement by just before the turn of the century.

However, BL is giving nothing away in terms of what it sees as the main potential advances, probably in engines. While other manufacturers are investigating such areas as gas turbines and ceramic engines, BL Technology's chairman and managing director, Mr Harry Sheron, says only that it is "keeping in touch" with developments on a broad front.

In the meantime, BL Technology expects to unveil, probably within the next year, the next of its own research vehicles, the ECV 3. Mr Sheron refuses to provide any details of its likely characteristics or the vehicle on which it is likely to be based. But he says it will show "significant" improvements on the Metro-based ECV 2 shown two years ago which had 100 mpg at 30 mph economy.

Mr Sheron insists that the Gaydon facilities are "the most advanced in the UK motor industry. They are part of our role in supporting the product-led recovery of BL."

BL's R and D subsidiary, set up in 1979, has already been talking to Ford, Rolls-Royce, Lotus and others about their possible use of the new Warwickshire facilities.

They bring to £24m the amount spent so far on Gaydon in the past three years and further installations are expected to bring the total to about £32m next year. The Gaydon site, a former air force base, already includes some 29 miles of assorted test tracks.

The computer-controlled wind tunnel enables the behaviour of engine cooling systems, air conditioning and heating and ventilation systems to be studied at wind speeds up to 100 mph and in temperatures ranging from —32 to plus 55 degrees centigrade. The other facilities being unveiled today range over cold starting research, structural analysis and corrosion, stress and noise-vibration-harshness (NVH) testing.

Despite its size and cost, however, the wind tunnel is not designed to carry out research into vehicle aerodynamics.

While aerodynamics are a major element in vehicle makers' pursuit of significant improvements in fuel consumption, BL will continue to use the Motor Industry Research Association tunnel at Nuneaton.

Mr Sheron says MIRA is adequate for this purpose. In the longer term, however, BL shares with other manufacturers the problem of what to do about researching the next area from which aerodynamic gains are expected to flow: the vehicle underbody.

Substantial fuel economy gains will come from smoothing out the under-vehicle airflow. The Ford Probe III research car showed at Frankfurt last year illustrated such thinking.

The trouble is, full investigation of this means of eradicating turbulent drag would involve the building of "moving ground plane" tunnels. These are likely to be extremely expensive, requiring a rolling road inside such a tunnel. Model tunnels already exist, notably among grand prix racing car constructors assessing the "ground effect" essential to their machines' performance.

Whether a need for full-scale tunnels becomes pressing depends on the extent to which gains can be made in other areas. It could be the 1990s before full-sized moving ground plan tunnels come to be regarded as necessary.

Gaydon's tunnel, a data acquisition system (developed by another subsidiary, BL Systems) can monitor data from up to 190 transducers fitted to test vehicles. Climate simulation equipment includes a heated floor up to 30 degrees C above ambient, and banks of overhead lamps with outputs closely approximating to the solar spectrum, so that virtually any level of sunlight can be simulated.

Humidity can be set at any level between ambient and 95 per cent.

Norwegian weather— by array processor

NORWAY IS hoping to improve its short range weather forecasts by increased use of computers.

Early next year it is to instal a new minicomputer system at its Meteorological Institute in Oslo to speed the calculations needed for weather predictions.

The Norwegian Meteorological Institute's new system will compromise an IBM 4341 system and Floating Point System's latest array processor, the 164, connected to a network of 100 minicomputers, provided by Norsk Data, the Norwegian manufacturer.

Each minicomputer carries out a separate function such as communicating with other international sources of weather data, printing and plotting weather maps, collating information from national sensors.

Weather forecasting is based on so many variables related to constantly changing conditions in the atmosphere that the meterological institute needs a system which can process the huge volume of data fast enough to be of value.

The main computers carry out the bulk of the processing work to decide how temperature, wind speeds and air pressure will change over a few hours or days.

Barcode printing at speed

A HIGH density barcode printer which can print up to ten lines of normal text has been announced by Intermec, for applications in the grocery industry.

The printer can cope with adhesive backed paper or polyester labels in roll or tag form. More information on 0734 662858.

TELEVISION

Tonight's Choice

Here-we-go-again time on all channels this evening. Best of the repeats should be George and Mildred (ITV 10.45) in which all of Mildred's (the late Yootha Joyce) aspirations are thwarted by her ferret-fancying husband (Brian Murphy), and The Sweeney, still the fastest of the smash-the-door-down drama series, this time with a topical footballing theme. BBC-1 hits back with the cosy **The Good Life**. You get a better class of repeat on BBC-2—a 1967 production by North German Television of Stravinsky's ballet **Apollo**, with Balanchine choreography.

Tonight's World Cup match should be a humdinger—Scotland against the fancied USSR (BBC-1, 7.40).

If you are not sporty nor nostalgic and the weather keeps you in, Radio 4 has some likely offerings: archaeologist Barry Cunliffe starts a series on past masters of his trade with a look at Belzoni, the first Egyptologist, and later Wynford Vaughan Thomas introduces the soothing **The Countryside in Midsummer**.

Radio 3 is tackling a suitably chewy topic—are there any advantages in going to university in a time of recession? (7.35). One answer is provided at 10.05 when ex-English students can compare their translations of **Beowulf** with that of Michael Alexander.

ANTONY THORNCROFT

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05-11.15 For Schools, Colleges. 1.00 pm News After Noon. 1.30-1.45 The Flumps. 1.55 Wimbledon 82. The Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Lassie. 5.05 Newsround. 5.10 Take Two.

5.40 News.

6.00 Regional News Magazines

6.22 Nationwide.

6.45 Comedy Classic: The Good Life, starring Richard Briers and Felicity Kendal.

7.15 Triangle.

7.40 World Cup Grandstand: Scotland v USSR, including at half-time News Headlines. Coverage of the match between Belgium and Hungary, and highlights of Poland v Peru.

10.05 News.

10.30 Wogan: The last in the series of late-night shows. Guests tonight include Vincent Price and Selina Scott.

11.10 Harry O starring David Janssen.

BBC 2

6.40-7.55 am Open University.

10.30-10.55 Play School.

2.00 pm You and Me.

2.15 For Schools, Colleges.

2.35 Wimbledon 82.

7.35 News Summary.

7.40 "The Wreck of the Mary Deare" starring Gary Cooper.

9.20 Stravinsky and the Dance.

10.15 Wimbledon: Match of the Day.

10.55-11.45 Newsnight.

LONDON

9.35 am Schools Programmes. 12.00 Button Moon. 12.10 pm Let's Pretend. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Emmerdale Farm. 2.00 Best Sellers: Perry King, Bruce Bloxleitner and Deborah Raffin in "The Last Convertible," Part 2. 3.45 World Cup '82: Peru v Poland, from the Riazor Stadium, Coruna, introduced by Brian Moore: Commentary by Gerry Harrison with expert comment from Ian St John.

6.15 News.

6.30 Thames News.

7.00 "Sinbad and the Eye of the Tiger" starring Patrick Wayne, Taryn Power and Jane Seymour.

9.00 Best of British: The Sweeney.

10.15 News.

10.45 Best of British: George and Mildred.

11.15 World Cup '82: Highlights from Peru v Poland, Belgium v Hungary and Scotland's last crucial qualifying match against the USSR.

11.55 Barney Miller.

12.25 am Close: Sit Up and Listen with Lord Beloff.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Gardening Time. 1.20 Anglia News. 6.30 About Anglia. 11.55 Quincy. 12.50 am Angle On The Argentine.

BORDER

1.20 pm Border News. 6.30 Lookaround Tuesday. 11.55 Border News Summary.

CENTRAL

12.30 pm The Young Doctors. 1.20 Central News. 6.30 Central News. 11.55 Central News. 12.00 City Of Angels.

CHANNEL

12.30 pm The Electric Theatre Show. 1.20 Channel Lunchtime News, What's On Where and Weather. 6.30 Channel Report. 11.55 Nero Wolfe. 12.50 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.45 am First Thing. 12.30 pm Paint Along with Nancy. 1.20 North News. 6.30 North Tonight. 11.55 Spellbinders. 12.25 am North Headlines.

GRANADA

1.20 Granada Reports. 1.30 Emmerdale Farm. 6.30 Granada Reports. 11.55 Late Night from Two.

HTV

12.30 pm Paint Along with Nancy. 1.20 HTV News. 6.30 HTV News. 10.43 HTV News. 11.55 Portrait of a Legend. HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Mwy Neu Lai. 11.39 Yn Eu Cynefin. 11.55 Cartoon. 12.00-12.10 pm Cei Cocos. 6.30 Y Dydd. 6.45-7.00 Report Wales.

SCOTTISH

12.30 pm Gardening Time. 1.20 Scottish News. 6.30 Scotland Today followed by Job Spot. 11.55 Late Call.

TSW

12.27 pm Gus Honeybun's Magic Birthdays. 12.30 The Electric Theatre Show. 1.20 TSW News Headlines. 6.30 Today South West. 10.32 TSW Late News. 11.55 Nero Wolfe. 12.50 am Postscript. 12.55 South West Weather.

TVS

1.20 pm TVS News. 6.30 Coast to Coast. 11.55 Jazz and Blues: Koko Taylor. 12.30 am Company.

TYNE TEES

9.25 am The Good Word. 1.20 pm North East News. 6.30 Northern Life. 10.30 North East News. 11.55 Poetry of Landscape. 12.15 am Islam.

ULSTER

1.20 pm Lunchtime. 3.43 Ulster News. 6.30 Good Evening Ulster. 10.44 Ulster Weather. 11.55 News at Bedtime.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 6.30 Calendar (Emley Moor and Belmont editions). 11.55 The Living Legends of Jazz and Blues (Ramsey Lewis).

RADIO

(S) Stereophonic broadcast

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Richard Skinner. 7.00 Talkabout. 8.00 David Jensen. 10.00-12.00 Mark Ellen (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 2.00 pm Don Durbridge (S). 4.00 Colin Berry (S). 5.45 News, Sport. 6.00 John Dunn (S) also on Radio 2 Medium Wave between 7.00-7.45 pm. 8.00 The Golden Age of Hollywood (S). 9.00 Listen To The Band (S). 9.30 The Organist Entertains (S). 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Wimbledon 82. 7.00 John Dunn (S) (continued from vhf). 7.45 World Cup Special: USSR v Scotland from the La Roseleda Stadium, Malaga. 10.00 Bernie Clifton at the Variety Club. 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.0-5.00 You And The Night And The Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Purcell (S). 10.00 Mozart. Concert from the Salzburg Mozart Week (S). 11.10 Piano Trios (S). 12.00 Huddersfield Choral Society: choral and orchestral concert, part 1 (S). 1.00 pm News. 1.05 Six Continents. 1.25 Concert, part 2 (S). 2.10 Roger and Marcanu clarinet and piano recital (S). 2.55 Bochmann Quartet (S). 3.45 University of Wales Recital (S). 4.15 BBC Welsh Symphony Orchestra (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.30 Jazz Today (S). 7.00 The Unemployed University. 8.00 Zimerman, Muti and the Philharmonia: Concert from the Royal Festival Hall, London, part 1: Liszt, Chopin (S). 8.55 Berthold Lubetkin: Cedric Price reflects on the architect's ideas and designs. 9.15 Concert part 2: Honegger, Ravel (S). 10.05 Beowulf: translation by Michael Alexander abridged in six parts. 10.35 Britten and Beethoven song recital (S). 11.05-11.15 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.35 Yesterday in Parliament. 8.57 Weather, travel. 9.00 News. 9.05 Tuesday Call (Blindness). 10.00 News. 10.02 From our own correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Thirty Minute Theatre. 11.33 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Men of Property (S). 12.55 Weather, programme news, travel. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 The Silver Darlings by Neil Gunn (S). 4.00 News. 4.02 The Place for Me. 4.10 A Kind of Singing. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News including Financial Report. 6.30 Brain of Britain 1982 (S). 7.00 News. 7.05 The Archers. 7.20 Silent Avenues of the Past. 7.50 File on 4. 8.20 The Countryside in Midsummer. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 And So To Bed: Late-night conversation and music with Ned Sherrin. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

FT COMMERCIAL LAW REPORTS

Worker not excluded from 'poaching' union

CHEALL v APEX

Court of Appeal (Lord Denning, Master of the Rolls, Lord Justice Donaldson and Lord Justice Slade): June 18 1982

WHERE A trade union is at fault in accepting an application for membership without first asking the applicant's previous union if it objects, it is not later entitled to terminate the membership on the ground that the TUC finds it guilty of "poaching."

The Court of Appeal so held, (Lord Justice Donaldson dissenting) when allowing an appeal by Mr Ernest Cheall from Mr Justice Bingham's decision ([1982] 1 ICR 231) that he had not been unlawfully expelled from his trade union, the Association of Professional and Executive Clerical and Computer Staff (APEX).

LORD DENNING said that Mr Cheall was employed by Vauxhall Motors as a security officer. He was a member of the Association of Clerical Technical and Supervisory Staffs (ACTSS), and was secretary of the local branch.

In 1974 several members of the branch became dissatisfied with their local full-time official, and resigned from ACTSS. Mr Cheall followed suit. Three weeks later he applied to join APEX, thinking he was free to join the union of his choice. He was accepted as a member.

According to the Bridlington Principles, however, APEX was not free to accept Mr Cheall's application. The Principles were a code of conduct designed to minimise conflict between unions. They were regarded as morally but not contractually binding on TUC members.

Under principle two, when a man resigned from a union and applied to another, the second union must not accept him without asking the previous union if it objected. Any resulting dispute between the two unions was referred to the TUC.

APEX knew that Mr Cheall had recently left ACTSS and that it ought to apply the Bridlington Principles. It deliberately turned a blind eye. It accepted Mr Cheall with open arms, and appointed him its representative at Vauxhall. ACTSS made a formal complaint to the TUC.

On May 17, 1977, there was a hearing by the TUC Disputes Committee. The Bridlington Principles applied only to the unions, and they were the only parties to the proceedings. Mr Cheall was present but not as a party, and his interventions were swept aside. The committee held that APEX was in breach of the principles and that it should exclude Mr Cheall and advise him to rejoin ACTSS.

Mr Cheall was excluded from APEX, but did not rejoin ACTSS. He was not a member of any trade union. If Vauxhall should become a "closed shop" he would be out of work. On February 27, 1980 he commenced proceedings against APEX, claiming that the termination of his membership was invalid. Mr Justice Bingham dismissed the claim. Mr Cheall now appealed.

The fundamental principle, enshrined in article 11 (1) of the European Convention on Human Rights, was that: "Everyone has the right . . . to join trade unions for the protection of his interests." That article stated a basic principle of English law. In *Nagel v. Feilden [1966] 2 QB 633* at page 644, his Lordship had said: "The common law of England has for centuries recognised that a man has a right to work at his trade. . . ."

If a man had a right to join a trade union for the protection of his interests, it must follow that he had the right not to be expelled from it, except for reasonable cause and in accordance with the requirements of natural justice.

It was a fiction that the rules of a union constituted a contract between the members and the union. Often a man was compelled to join a union so as to be able to earn his living. The rules were dictated to him. He had no choice but to obey. Trade union rules were nothing more nor less than bye-laws. They were binding on members whether they liked them or not. Being bye-laws, they were binding only so far as they were reasonable and certain.

APEX relied on rule 14 of its rules, which said: ". . . the executive council may . . . terminate the membership of any member, if necessary, in order to comply with a decision of the disputes committee of the TUC." That did not accord with the fundamental principle. His Lordship asked himself, first, was it reasonable that Mr Cheall should be bound by a decision of the TUC disputes committee? That was a decision which affected him vitally, and in which he had no right to be heard. It made him and his livelihood a pawn in a conflict between two unions.

Secondly, if misconduct were alleged against him, he would have a right to be heard; surely he should have a right to be heard when he had been guilty of no misconduct? Thirdly, the misconduct in the present case was that of APEX. It was found guilty of "poaching." Could it pray in aid its own misconduct so as to exclude him from membership, or to deprive him of a hearing? The law always set its face against that.

An individual was free to join a trade union of his choice. He was not to be ordered to join this or that trade union without having a say in the matter. He was not to be treated as a pawn on the chess-board.

APEX was wrong to terminate Mr Cheall's membership.

LORD JUSTICE DONALDSON, dissenting, said that it was submitted that the Bridlington Principles were void as being contrary to public policy. His Lordship accepted the view of Lord Atkin in *Fender v St John Mildmay [1938] AC 1, 12* that the doctrine of public policy "should only be invoked in clear cases in which the harm to the public is substantially incontestible, and does not depend upon the idiosyncratic inferences of a few judicial minds." Judges must beware of confusing political policy with public policy. There was no doubt that reasonable people could be found in large numbers to support and to oppose the proposition that the Bridlington Principles were harmful. That being the case, the issue was not incontestible.

The court was being invited to apply considerations of political rather than public policy, and that his Lordship absolutely declined to do. He would dismiss the appeal.

LORD JUSTICE SLADE agreed with Lord Denning that the appeal should be allowed, on the ground that the termination of Mr Cheall's membership was not "necessary" within the meaning of rule 14; and that APEX could not rely on rule 14 because it was its conscious breach of the Bridlington Principles which gave rise to the Disputes Committee's adverse decision.

That followed inevitably from the *New Zealand Shipping* case. The reasoning in that case was based on the principle that, unless a contract clearly and specifically so provided, the court would not construe an avoiding provision contained in it in such a manner as to permit a party to take advantage of his own wrong.

Appeal allowed.

For Mr Cheall: George Newman QC and Stephen Auld (Boyle and Ormerod, Aylesbury).

For APEX: Frederic Reynold QC and Cherie Booth (John L. Williams).

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

THE SURPRISE announcement that Golden Fleece is again below par—this time through a virus infection—should leave no one in doubt that ante-post betting on the outcome of such races as the Irish Derby, the Eclipse and the King George VI and Queen Elizabeth Diamond Stakes is fraught with danger at present.

Already there are doubts surrounding the participation of Persepolis, Silver Hawk and Palace Gold in Saturday's Irish Sweeps Derby; while the race's market leader, Assert, has been isolated by David O'Brien, who reports some "dirty noses" among his two-year-olds apparently suffering from the same infection that has made uncertain Golden Fleece's participation in the King George.

Unless Persepolis, on whom Saint Martin had a singularly uninspired ride at Epsom, is at the Curragh on Saturday, Assert should again have things his own way.

Piggott, who I suspect is already on standby for Persepolis in preference to Saint-Martin and Cash Asmussen, may well be back at Pontefract today, despite the presence of Dollymixture Boy in Brighton's Operatic Society Challenge Cup. His mounts on the Yorkshire track include the Luca Cumani-trained Brodi Crystal.

Owned by Rome's most successful criminal lawyer, Sr Carlo d'Alessio, who was recently successful on Willie Carson's behalf in the jockey's double riding engagement case, Brodi Crystal need only reproduce the form which saw him failing by the minimum margin at Leicester recently to open his account.

For this afternoon's major event on the Racegoers Club Concession Day programme, the Darley Brewery Handicap, I find it difficult to look beyond Newmarket's lightly weighted Mahabba.

PONTEFRACT
2.45—Hawks Nest***
3.45—Mahabba**
4.15—Brodi Crystal

BRIGHTON
2.00—Mollison*
3.30—State Romance

THE ARTS

Opera in New York

Andrew Porter reviews the new arrivals

Bernard Haitink made a disappointing Met debut, conducting a surprisingly pedestrian *Fidelio*. The material he was given to work with was hardly inspiring: a production once Otto Schenk's but now, it seems, put on "after the book" with moves unprompted by dramatic necessity; a mediocre Florestan, Edward Sooter; Johanna Meier stepping in for Shirley Verrett (who retired after the first night) a Leonore neither dramatically nor vocally in sharp focus.

The new production of *The Tales of Hoffmann* was a success—its chief stars the designer and producer, Schneider — Siemssen and Schenk. The house machinery-providing stages that rise, stages that sink, stages that roll forward from the distance—was used to spectacular effect. There was no attempt to make a serious or consistent drama of the piece—as at Covent Garden, the corrupt Choudens edition chosen precludes that — but there was an aptly Hoffmannesque hint of grotesquerie, even diablerie, beneath the diversion.

The Olympia act was the high point, with Ruth Welting the springiest, wittiest, sweetest, most accurate Doll one could hope to hear, and Michel Sénéchal a polished Cochenille. Tatiana Troyanos was a lush Giulietta. Christiane Eda-Pierre, as Antonia, hardly suggested a fresh-voiced ingénue. Placido Domingo was a rather beefy Hoffman. He played and sang with confidence, generously, wholeheartedly, but one felt he needed coaching from M Sénéchal in Gallic grace, delicacy, lightness of touch. Ricardo Chailly conducted alertly, a little too insistently.

Revivals of *Věprcs* (Scotto, Wieslaw Ochman, Pablo Elvira, James Levine conducting) and of *Entführung* (Edda Moser, Stuart Burrows; Levine) need not detain us. A very fine revival of *Parsifal*, in Holy Week, made amends. Levine's reading was broad, long-breathed, eventful, perfectly balanced. The orchestra played as if inspired. Mixed feelings about Peter Hofmann's Parsifal: he plays the boy as a brat, but his utterance is clear and sure. Mignon Dunn was a passionate Kundry. Two veterans, Jerome Hines as Gurnemanz and Thomas Stewart as Amfortas, gave commanding performances. *Parsifal* reached the level of seriousness and intensity missing in many of the Met productions I saw this season.

The City Opera put on a string of disappointing new productions. Some liked the *Susannah* — Carlisle Floyd's attempt at an American *Grimes*, and not an unsuccessful one, for in this country alone it has had 200 different productions since its première in 1955. But I felt that this production (by Lou Galterio) was ill-considered, that more could have been made of Faith Esham and Samuel Ramey in the leading roles. Cherubini's *Médée* in Italian translation, its score worked over by Lachner, Frazzi, and Serafin, had Grace Bumbry as its striking heroine, and little else to recommend it. Montemezzi's *L'amore dei re* lost its scheduled soparano and tenor — one to maternity and the other to illness — and without glowing vocal sound this opera, so fondly recalled by those with memories of Mary Garden, Ponselle, Pinza, seemed faded and dull.

I Lombardi was so feebly and ineptly staged that it moved the audience to mirth; and the new *Grand Duchess of Gerolstein* is best forgotten. There were many "What's wrong with the City Opera?" articles in the Press. There was lots wrong with producing, designing, conducting, lighting. But on the other hand Beverly Sills's company was vocally strong. A roster with, among the sopranos alone, June Anderson, Mariana Christos, Elizabeth Hynes, Ashley Putnam, Gianna Rolandi, Diane Soviero, and Carol Vaness is probably unmatched.

The outstanding tenors were Jerry Hadley and John Aler (who in *I Puritani* sang the Rubini high F with elegant élan). Samuel Ramey and Justino Diaz were the "house basses," and that's impressive. The season began with a *Figaro* as happy as stylish as one would wish to see and hear. It ended with a delightful *Ariadne* that brought forward as its heroine yet another fine young soprano: Stephanie Sundine, steady, pure, and true, an Agathe and Elisabeth in the making.

Next season's new City Opera productions are *Alceste* (Heather Harper as the heroine, Rayond Leppard conducting), Thomas' *Hamlet* (Putnam and Sherrill Milnes), Bernstein's *Candide*, *The Merry Widow*, *La rondine*, and Massenet's *Cendrillon* (Frederica von Stade). The Met has three: *Idomeneo* (Ponnelle produces, with Pavarotti in the title role), *Macbeth* (Scotto and Milnes, Peter Hall produces), and *Arabella* (with Kiri Te Kanawa).

Other opera of the season, outside the two main houses (besides the Sessions *Montezuma* at the Juilliard School, which I've already written about on this page): in a medieval chapel in The Cloisters (a cluster of old buildings rebuilt in a park on the northern tip of Manhattan), a group of students from Indiana University gave a memorable performance of the 13th-century Passion play from the Benedictbeuern manuscript, the *Carmina Burana*. Thomas Binkley, formerly of the famous Studio der frühen Musik and now at I.U., prepared it. Not even the Met *Parsifal* was more gripping or moving. The Camerata of the Mannes School of Music put on a stylish, attractive production of Marco da Gagliano's *Dafne* (1608). The Manhattan School of Music mounted Zemlinsky's *Florentine Tragedy*, whose ripely chromatic music matches the overblown Wilde play.

Concert performances in- with William Johns in the title role and Julia Hamari as Adriano, and the American première of Boito's *Nerone*, an ambitious but musically undistinguished opera. These were both done by Eve Queler's Opera Orchestra of America. From Washington there came a Chaikovsky *Iolanta*, conducted by Rostropovich, with Vishnevskaya in excellent voice, and Gedda as the hero.

Perahia/Festival Hall

Dominic Gill

In the 10 years since he won the Leeds Piano Competition Murray Perahia—at 35 now in the prime of his career—has continued to impress us with his resourceful, poetical and notably uncompromising, unshowy musical personality. Although he lives in London, international demand has meant that his playing may be more familiar to many Londoners on record than in person: indeed his recital on Sunday afternoon, which also marked his solo debut in the Festival Hall, was his only solo appearance here this season.

His programme, characteristically unflamboyant, was of just three works, by Mendelssohn, Beethoven and Schubert. Many pianists, even great pianists who should know better, play the outer movements of Beethoven's Appassionata sonata far too fast, and the *andante con moto* crucially too slowly. Perahia's physique may even be a shade lightweight for the opening movement; but he is one of the few pianists who understands what its tempo must be—a restrained inexorable swell, fast enough to gain enormous momentum, but slow enough to allow every semiquaver (and especially every triplet quaver) to speak. He caught the andante's accent exactly: a narrative manner, expansive but unlaboured, in perfect kinship with Schumann's *Im Legenden Ton*. His finale, properly *non troppo*, was powerfully gripping: a whirlwind whose every particle was distinct, whose every grain had cutting edge.

Perahia's sonority is unfailingly beautiful. His account of Mendelssohn's little E major sonata op 6—the fourth of the composer's five sonatas, all written before the age of 19—was a study in delicate autumnal shades, rounded with perfect elegance and poise. Was there just a passing suspicion here, and in Schubert's G major sonata, that ravishing sonority might even take priority over sense? The texures of the Schubert first movement were bell-like, translucent—the bass-line so light that at times one had to strain to perceive the harmony. The minuet's trio was exquisite; the andante's melody was spun out with artful simplicity and ease. This was masterly Schubert playing of its kind: fair-weather Schubert, all summer breeze and dappled sunlight, with nothing on the horizon but white fluffy clouds.

Saleroom

Prices then and now

Sotheby's held an important sale of gold boxes, Faberge and Russian silver, which did fairly well, given the uncertain state of the market. A couple of the best boxes failed to find buyers but the top item, a French gold and enamel snuff box of 1742 by Jean Ducrollay, decorated with shells and coral, sold to S. J. Phillips, the London dealer, for £57,200, at its upper estimate.

Other good prices were the £45,100 for a French four colour gold snuff box of 1755/6 by Louis-Guillaume Casse; £27,500 for a French gold boite; a miniature of 1756-58 by Jean Ducrollay which realised £2,000 when sold at Sotheby's twenty years ago; and £24,200 for a Dresden gold and hardstone snuff box by Johann Christian Neuber, which made £1,900 in the same rooms in 1961. The sale totalled £430,446 with 33 per cent bought in.

ANTONY THORNCROFT

Stephen Varcoe and Nigel North/Purcell Room

David Murray

The special feature of this Sunday recital was not so much Mr Varcoe's singing, reliably excellent though that was, but his accompaniment — theorbo (bass lute) for the 17th-century half of the programme, 19th-century guitar for the remainder, both played by Mr North.

In principle the theorbo makes a natural, unaggressive partner for the voice in earlier English and Italian songs, and in Schubert and Weber the guitarist could claim a respectable historical licence, since many of their songs were published with alternative guitar accompaniments in the first place. These latter proved to be mostly unambitious, often no more than simple chord-plucking, whereas the older lute music might be almost as florid as the vocal line.

The evening offered many mild pleasures, but something less than total conviction. Varcoe's baritone—it sometimes seems a real bass-baritone, though it boasts great flexibility and even brilliance in the high register—is a very positive instrument which retains a youthful ring ideal for romantic songs; North's performing style is gentle, careful and unassuming.

Varcoe scaled his voice down suitably for the auditorium, as expected, but frequently he seemed to be reducing his tone still further in deference to his accompanist, and we were left overhearing a domestic musical session. If Purcell and Blow did not expect more flamboyance in their lute-parts, then the manner of singing in their period must have been accommodated to the lute in some other way. A Latin cantata by Cazzati, and Ceccini's "Amor ch'attendi," made robuster effects; a long Monteverdi madrigal from his 7th Book was elegantly delivered but inconclusively shaped.

Most of the German songs went very happily, with little more than tactful support demanded of the guitar. Weber's "Serenade" and a lullaby to an over-excited heart, "Lass mich schlummern," were particularly charming, and both singer and player attacked the comic "Beggar's Song" with infectious relish. In Schubert it was hard to believe that the guitar was ever envisaged as more than a provisional substitute for the piano: "Meeres Stille" suggested little of the right depth, and the arrangement of "Der Schiffer" (though North tackled it bravely) was only a faint echo of the turbulent original. "Der Pilgrim" and "Nachtstück" emerged with more credit, but I doubt that Schubert-with-guitar is going to become a fashion. In any case, one would expect this genre of performance to appeal to singers with less powerful resources than Varcoe, though he observed the necessary restraint most scrupulously.

Barry Flanagan, the principal British artist at the Venice Biennale, with his bronze Hare sculpture, 'The Boxing Ones,' 1981

The Venice Biennale

William Packer reports on a 'well-intentioned, exuberant, rag-bag of a festival'

The Venice Biennale is a curious and contrary beast, always the same, one comes to realise, no matter how much it appears to change, and yet always capable of the real surprise, the useful point, the sudden illumination of its material—always supposing, of course, that the visitor is prepared to pursue it just a bit beyond its pathological initial chaos. This one more so than ever: three days of Press views even more unprepared and disorganised than ever, with pavilions still unbuilt, and much of the work in transit or held at the customs.

To anyone unused to the Biennale's little ways, expectations may well have been unreasonably high, and the experience of a flying visit inevitably disappointing. But it must be said that the Biennale's virtues are functions of its apparent faults, and insidiously cumulative. Two years is the perfect interval for this well-intentioned, exuberant rag-bag of a festival, throwing so much so arbitrarily together.

A certain definition may be attempted, but it must be done so under pressure and to a great extent intuitively. Extend the interval and the temptation to the Italians to be ponderously definitive would be irresistible.

The mistake, as always abroad, is to expect to see too much too soon. In Italy three days of Press views must always mean four at least, if not five: and with word filtering back, on that first day, to the national pavilions in the Giardini di Castello, that all was not well with the large international invitation exhibitions elsewhere that "Arte come Arte" in the central pavilion was unhung where it was not incomplete, that "Aperto '82" split between the old Magazzini del Sale along the Zattere and the disused Cantieri Navali across the water on the Giudecca, was driving the young artists involved to distraction and despair, the only thing to do was to let them be, there was always tomorrow.

And, of course, there was still plenty to see. The Biennale has two major and complementary parts; and if the large mixed shows are necessarily complex and difficult to arrange the national pavilions, smaller, autonomous and in theory equal in opportunity, are more likely to have something ready on the day. The equality is emphatically theoretical: those countries with permanent pavilions of their own enjoy a decided advantage and the prize for enterprise in adversity must go to the Australians.

Pushed from Pillar, or rather the portico of 1980, to this year's tree-trunk, and quite literally a building site, they decided that the work must go up while the pavilion itself went up around it—their reward was that the thunderstorms held off until the roof was on. In Peter Booth, an English emigrant of some 25 years' standing, they have one the most distinctive painters of the Biennale, and it is of the most particular significance at this juncture that his work should be a most excellent example, forcefully stated and powerfully symbolic in its imagery, of the generally resurgent Figurative Expressionism.

This above all was the Biennale in which to show painting, in particular the new expressionism, that in the event supplies so much of the substance and certainly the major part of the interest. The Russians, taking part for the first time in a decade (itself remarkable), have filled their pavilion with recent portraits by perhaps too many artists: the quality is uneven; and much of the work oddly and rather touchingly old-fashioned, but for all that, it is worthy and straight-forward, its best very good indeed. The East Germans show four very strong, somewhat Neue Sachlikeit painters: the Canadians a quirky image-maker, very good when he is at his least literary and self-conscious.

"Arte come Arte," subtitled: persistenza dell'opera, the effective centrepiece to the whole thing, is for once given over predominantly to painting. It is certainly no accident that its British participants, Lucian Freud, Frank Auerbach and R. B. Kitaj, were all outstanding contributors to "A New Spirit in Painting," that wonderful curate's egg that the Royal Academy gave us 18 months ago, which among other things, made the chastening point that British painting is so little known abroad. Freud has deserved his outing to Venice for 20 years and more, the other two for almost as long: better late than never, but the general show, compliment that it is to be asked to take part in, does not quite confer the accolade of a personal show in a national pavilion.

Yet again there is no painting to be seen in the British Pavilion: in fact no painting has been shown there now for a full 10 years. The worrying side effects of this neglect begin even now to appear: for our younger artists invited to appear in "Aperto '82" are a strong group, and they do us great credit — but almost all of them are sculptors, and the two painters are poorly shown. The maddening thing is that there is so much bad painting all around. We have more than enough good painters, old and young, to hold their own at the very least in such company, and the failure to show one, or two or even three this year in our pavilion must count as a considerable opportunity missed.

The British Council's current policy of using Venice as a show-case for artists consolidating a reputation in mid-career is quite defensible, but a most curious attitude appears to inform its rationalisation of the particular choice of artist. We have no painter, is the received wisdom, who could possibly "Hold the Space."

Now the British Pavilion is the most delightful of them all, a Lutyensesque treat commanding the highest point and the principal vista of the gardens.

Inside it is like nowhere so much as the Serpentine Gallery in feeling and atmosphere, though without the views; and it shares the Serpentine's gift of making indifferent work look rather good, and good work wonderful. When I begin to be persuaded that painters — Mary Potter a recent example Adrian Stokes another, both of them quiet, to say the least, cannot "Hold" that space — I might begin to accept that the British Council has a point.

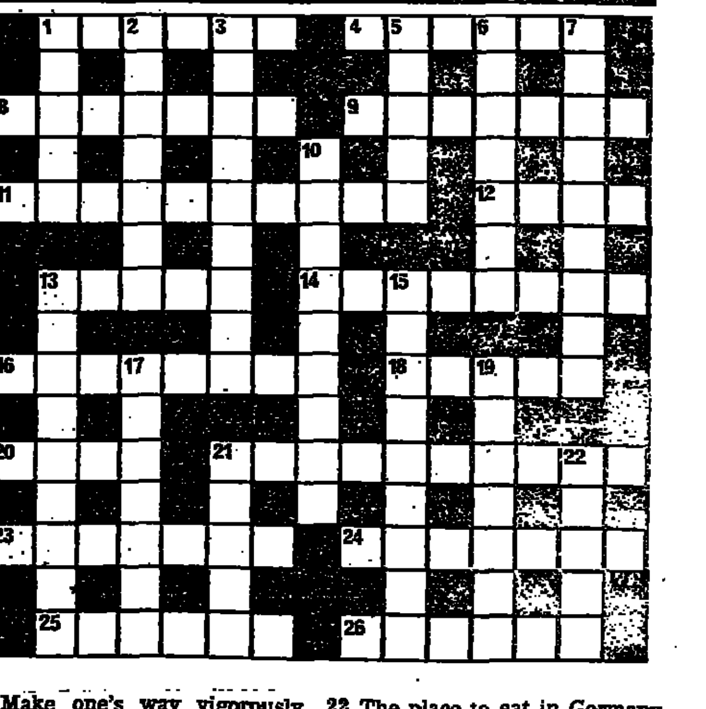
At the moment I know it to be nonsense, and more than that, a positive calumny upon artists of the calibre of Kossoff, Bellany, Wiseman, Crowley, Jackowski, Hempton and so many others. Put them up in 1984 and they might well appear, quite unfairly, as mere followers of fashion, late again.

All of which is perhaps a little unfair on Barry Flanagan, the sculptor who is actually in possession. He holds the space well enough, the work perhaps a little low, but elegantly set out and indeed delightful, his bronze March hares dancing and boxing about the entrance gallery suddenly coming into view as the visitor climbs the steps to the terrace. In the context of the Biennale, and the Pavilion's peculiar advantages, his is the outstanding personal contribution, his lightness of touch as welcome as his conspicuous wit. But, though it might have appeared so in the euphoria of the moment, he is not quite yet the definitive genius of the age. Reinspection of the work and a doubt or two creeps in, concerning not so much the individual pieces as their more general qualities.

The acrobatic hares call to mind nothing so much as the dancer by Gaudier Brzeska of 1913, that we saw at the Whitechapel last autumn, but in terms of formal achievement as well as of idea, I know which is the more ambitious, and which I prefer. Flanagan has always taken a seductively easy line, not so much testing our response as daring us to question his own seriousness: take him too seriously and he sends us up, not seriously enough and surely we have missed the point. He should remember that in the end Jacques is a sad and tiresome character.

Which leaves me at last with the Collazione Inglese, an independent initiative that for a few short days filled La Scuola di San Pasquale with the work of five English artists. Jon Thompson's conceptual piece, a five part written statement, was the most directly visual and sensual of any I have seen for far too long in a difficult and often pretensious genre: Alison Wilding's small sculptures, oddly organic, fetish-like objects, were new to me and quietly impressive; and Silvia Ziranek, "A Simple Lass," lent her performance, and her distinctive presence, to make the event a most particular occasion.

F.T. CROSSWORD PUZZLE No. 4,903



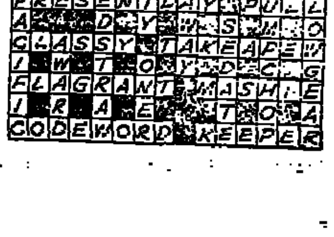
ACROSS

1 Fish I put in a particular locality . . . (6)
4 . . . and fish upsetting patron (6)
8 Disloyalty with time to debate (7)
9 Hollow-eyed author? (7)
11 Narrow escape that fields possess (5, 5)
12 Catch a hidden obstacle (4)
13 Nucleus of key persons died in charge (5)
14 Aerobatic manoeuvre making a queue twirl (4-4)
16 One who deplores people getting in later (8)
18 Sheep in iron body (5)
20 Omit a captain (4)
21 Instruction to soldiers to turn and rectify the course of events (5, 5)
23 Wangle a note in the end (7)
24 Rough cloth in front of square lobby (7)
25 Information to test the nobs (6)
26 Former South American General receiving direction for flight (6)

DOWN

1 Danger for each one left (5)
2 Accumulated a general edition (7)
3 Cross went astray—look out! (5-4)
5 Conscious of a battle over energy (5)
6 Make one's way vigorously like us and a famous horse (7)
7 A Scottish bishop appearing in unsophisticated story (9)
10 Force player to mature for commission (9)
13 Split fish and a bit of roast pork . . . (9)
15 . . . in grease you consumed it's said, to inspire with foolish passion (9)
17 Account for former flat (7)
19 Trembling like an apiarist (7)
21 A means of measuring a potentate (5)
22 The place to eat in Germany (5)

Solution to puzzle No. 4,902



FINANCIAL TIMES

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Tuesday June 22 1982

Discord over a pipeline

PRESIDENT Reagan's decision to extend economic sanctions against the Soviet Union is at best provocative and at worst may be damaging to the Western alliance. It will delay, but cannot prevent the building of a gas pipeline between Siberia and Western Europe. It will further antagonise European allies, already at odds with the U.S. over East-West trade. It will doubtless lead to another round of dispute between the U.S. and European countries about the implications for national sovereignty of U.S. claims to exercise extraterritorial jurisdiction.

Resentment

Last December, following the imposition of martial law in Poland, the U.S. unilaterally imposed economic sanctions against the Soviet Union, including an export ban on certain types of oil and gas equipment and technology, for which European companies had already contracted, destined for the Siberia-West Europe gas pipeline. The move aroused deep resentment in Europe. Now the sanctions have been extended to include equipment manufactured by the foreign subsidiaries of U.S. groups or made outside the U.S. under licence to American companies.

The U.S. has made it clear often enough that it is worried about increasing European dependence on the Soviet Union for energy supplies. Some members of the Reagan Administration have argued that trade with the Soviet Union is a means of buttressing a regime which, with a little push, might begin to crumble, beset as it is with economic problems and a need for foreign exchange.

Yet the arguments about energy dependence have been consistently overstated. It seems unlikely, for example, that West German dependence on the East Bloc for energy will exceed 6 per cent by 1990, which is less than France or Italy today, although Italy's dependence could rise to around 11 per cent. But there has been no evidence that the Soviet Union is an unreliable supplier, while Arab oil producers acted in the 1970s precisely in a way designed to encourage diversification of energy sources.

Inconsistency

The Reagan Administration, of course, has pursued a more vigorous anti-Soviet policy than its predecessors. Part of this policy has been a form of economic warfare, of which the latest sanctions are a part. Yet it is legitimate to ask why, if economic retaliation against the Soviet Union for its role in Poland is so vital, the Administration has seen fit to allow the continuation of U.S. grain exports at a time of successive bad Soviet harvests. This inconsistency is the result of U.S. domestic politics and the power of the farm lobby. It is hardly surprising therefore that European countries, perhaps otherwise generally sympathetic to U.S. policy should query why their manufactured exports, and the jobs which go with them, should be sacrificed to further U.S. political aims.

But puzzlement about the inconsistencies of U.S. policy will inevitably turn to anger as the U.S. seeks to control the activities of companies registered abroad that happen also to be the subsidiaries of U.S. groups. Such exercise of extraterritorial jurisdiction is seen in Europe both as a direct infringement of sovereignty and as an unwarranted interference in the economic policy of others.

Clashes of jurisdiction can only be avoided whether there is a general identity of political aim. The U.S., which had been practising economic boycotts for a century before the word was coined, understands this perfectly well. But in this case it has failed to realise that political leadership of the Western alliance does not equate with economic leadership. The U.S. does not have a monopoly of the technology needed for the gas pipeline. Sooner or later, the Soviet Union will be able to find it elsewhere. Pipeline technology is of no great strategic importance—indeed, the Soviet Union has plenty of its own. The lower the level of technology exports the U.S. seeks to control, the harder it will find the task and the more disputatious the alliance is likely to become.

Alarming

The pipeline decision has come just after President Reagan's successful visit to several European capitals, in which a measure of understanding seemed to have been reached on several troublesome issues, including East-West trade. It is alarming that despite all the discussions at Versailles and elsewhere the U.S. and Western Europe appear to be as far apart as ever on the practical details of dealing with the Soviet Union.

Gibraltar calls for patience

POSTPONEMENT of the Anglo-Spanish talks about the future of Gibraltar is a less unfortunate event than might seem at first sight.

It is extremely doubtful whether in the present climate significant progress could have been made towards reconciling Spanish claims to sovereignty over the rock and the British refusal to change its status against the wishes of the Gibraltarians.

The Spanish Government of Sr Leopoldo Calvo Sotelo is weak. It needs to protect itself again an overbearing and nationalist military. It also knows that there is a consensus in Spain that Gibraltar should be Spanish. That attitude will have hardened during the Falklands conflict when Spaniards showed their hispanic loyalty to the Argentine cause.

Sovereignty

British attitudes, too, have been affected by the war in the South Atlantic. After successfully resisting Argentine encroachment upon British sovereignty, British public opinion would not have listened kindly to suggestions that British sovereignty over Gibraltar should be surrendered or modified.

There is, hence, a strong case for allowing the dust to settle even though, once more, Spain has postponed the opening of the gates that cut off Gibraltar from the Spanish mainland. Their opening was originally promised in an understanding, reached more than two years ago, which also provided for talks covering "the whole" problem of Gibraltar. Madrid believes that a British refusal to discuss sovereignty would conflict with that formula.

The continued closure of the gates, first ordered by General Franco in 1969, is regrettable. It is a sad commentary on the attitudes they have engendered that, judging by a recent poll, a majority of Gibraltarians do not even want to see them opened. That kind of seige mentality must not be encouraged.

The sooner the padlocks are removed, the better for all concerned. But the pressures on the Spanish Government are easy to understand. Mr Farncis Pym, the Foreign Secretary, behaved with responsible moderation when, in Luxembourg yesterday, he said it was important to understand Madrid's problems in this matter.

Mr Pym's reply "certainly not" to a question whether the affair could colour the British attitude to the Spanish application to join the EEC was on the right lines. Hopes have long been entertained that a process of getting acquainted once the gates are reopened, coupled Anglo-Spanish collaborations in Nato and the EEC, would smoothe the path towards ending the Gibraltar dispute.

Solutions

Potentially a variety of solutions are conceivable. If the process of getting acquainted, once the gates do reopen, does work the Gibraltarians might change their attitude to Spain. A Spanish presence on the rock as part of the Nato system might persuade Madrid that half a loaf is better than no bread. The devolution of authority to the regions now in process in Spain could also point to a possible solution.

None of these possibilities can be realised quickly. They cannot be realised at all as long as democratic Government in Spain is weak and therefore must not be seen to retreat on what is a deeply felt national issue.

Anachronism

On the other hand, Gibraltar's colonial status is an anachronism in the Europe of today, and there is not vital British national interest at stake. What is at stake is an interest of the western alliance: Gibraltar must remain part of the West, and the conflict must not be allowed to undermine western unity.

That will need patience all round. But patience must not become an excuse for letting sleeping dogs lie for ever. As the instance of the Falklands shows, disputes allowed to simmer for too long have a way of boiling over.

U.S. ECONOMY

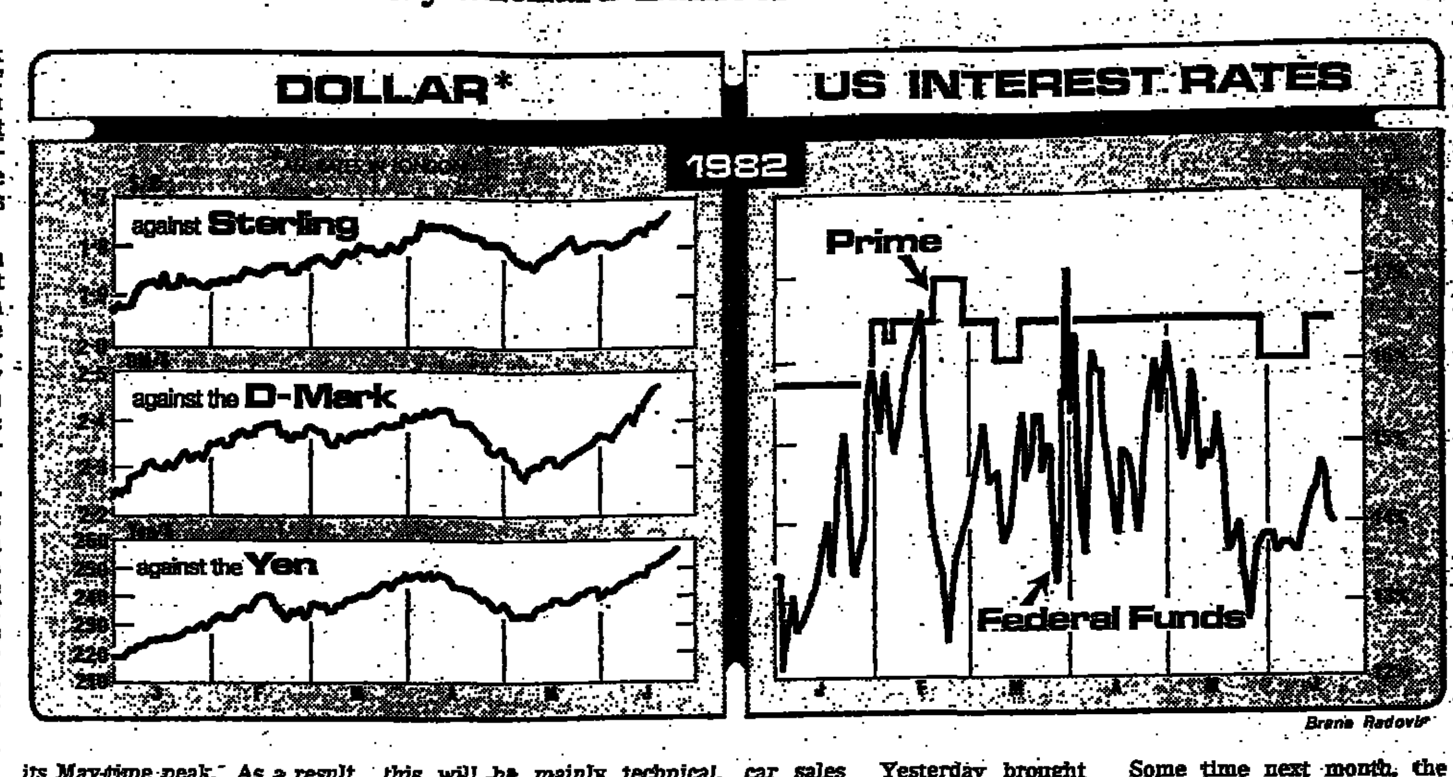
Why the dollar is shooting up

By Richard Lambert in New York

IT WAS not supposed to work out this way. For most of this year, the view has been widely held on Wall Street that the dollar was overvalued — and was likely to decline against the currencies of its main trading partners.

Instead, the dollar has been shooting ahead to the point where its rise has gained a momentum all of its own. "The dollar is going up because everyone wants to hold a currency that's appreciating," said a trader yesterday — a classic rationalisation of any bull market.

The latest surge in the dollar on the worlds currency markets can clearly be pinned to a marked change of sentiment in the U.S. money markets since the end of May. For most of last month, U.S. interest rates were falling, and the dollar came back with them. Having risen by about 8 per cent between December and April, its trade weighted average fell by around 3 per cent during the month of May.



Brane Radovir

Three-month Treasury bill rates had fallen by more than 1.5 points between the beginning of April and the end of May, and Citibank had moved its prime lending rate down from 16.5 to 16 per cent. It seemed only a question of time before the other big banks followed suit.

But only a few weeks later, the U.S. credit markets are in a *demoralised state of shambles*. Citibank has moved its lending rate back up to 16.5 per cent, and there is widespread speculation that prime rates generally could be moving ahead in the coming weeks. Three-month Treasury bill rates have climbed by more than a point in the space of a few weeks, and the price of the widely followed 14 per cent Treasury bonds, due in 2011, has collapsed by over 7 points from *its May-time peak. As a result*, yields on long-dated government bonds have climbed back over 14 per cent.

The impact of all this on the dollar has been marked. Trading in New York has not been especially heavy in the last few days, but the currency has only moved one way and by the end of last week the trade weighted figure was over 7 per cent up on May's average.

What has caused this marked reversal in the *credit markets*? There are probably four main explanations. The weekly money supply figures have been running persistently above the Federal Reserve Board's targets, with M1 rising at an annual rate of roughly 7 per cent so far this year compared with a target range of 2.5 to 5.5 per cent. A marked upsurge in the rate of monetary growth is widely expected in early July, and although the reasons for *this will be mainly technical*, the market fears that it will bring the day closer when the Fed feels obliged to tighten its monetary stance.

A second reason for the current disquiet is that there has been a major structural change in the government securities market following last month's default by Drysdale Government Securities. Since that shock, speculative demand for Treasury securities has contracted noticeably, and dealers have been much less willing to hold large inventories of stock. An auction of two-year notes by the Treasury last week met a far lower level of investor demand than might normally have been expected.

Thirdly, the last few weeks have brought increasing evidence that the U.S. economy has bottomed out. Housing starts have been showing a flicker of life, and so have motor *car sales*. Yesterday brought preliminary indications that the U.S. economy rose at a seasonally adjusted annual rate of 0.6 per cent in the second quarter compared with a decline of 3.7 per cent in the first three months. This, the bears argue, could mean that demand for credit from the company sector will start to accelerate over the rest of this year, adding further upward pressure to interest rates.

Finally, analysts generally have been increasing their estimates of how much the Treasury is likely to have to borrow in the second half of this year. For example, David Jones, a widely followed economist with Aubrey *Langston*, is now projecting a financing requirement of anything up to $50bn during the third quarter, compared with an earlier forecast in the $35bn to $40bn range.

Some time next month, the Treasury will outline its financing programme for the third quarter, and that is something which no one is looking forward to with anything but concern. At roughly the same time, the Government is likely to be hitting the market with some long dated bonds. Legislation is likely to be passed soon allowing the Treasury to issue more bonds with maturities in excess of 10 years, again something which will not win any popularity pools on Wall Street.

Movements in Washington towards a budget compromise have largely been ignored in the face of all this uncertainty. Chase Manhattan summed up *Wall Street's reaction* in its latest capital markets report: "The real problem that continues to haunt the markets is the spectre of continuing uncertainty over the long-run stance of fiscal policy. Will Congress continue to pursue an expansionary and irresponsible fiscal policy in the face of a tough monetary policy, or will this Administration finally get the budget process under control? Who is truly in charge?"

For now the bears have really gone to ground. But their *arguments looked quite plausible* earlier this year and could still re-establish themselves. One was that interest rates in the U.S. were likely to fall relative to those in other countries, narrowing the rate differential in favour of the U.S. currency. After all the fall in inflation has outpaced that in other countries, and the U.S. economy is relatively weak.

A second reason for taking a cautious line on the dollar is that U.S. exports have become increasingly incompetitive in world markets, as a result of the substantial appreciation in the U.S. currency during 1981.

In the event, none of these bearish influences on the dollar have *materialised—so far*, at least. U.S. interest rates are well below the high points of last summer, when the Federal Funds rate was pushing up towards 20 per cent compared with a bit over 14 per cent at present. But the fall has been nothing like as steep as most economists expected, and with interest rates also coming down in other countries, the dollar remains an extremely attractive asset for *international investors*.

So the bulls have everything going their way at present, but the mood could change. It seems probable that trends in the balance of payments will start to deteriorate soon as the U.S. economy strengthens and the latest surge in the currency makes its mark on export prices. In the credit markets, meanwhile, conditions could always deteriorate further—but a great deal of bad news is already being discounted.

The President's writ does not run on Wall Street

The one thing that all American politicians, from President Reagan down, now seem to agree on, is that interest rates must be made to fall — and soon. European Governments, who have had to deflate their own economies to stop the dollar soaring out of sight, could not agree more.

Unfortunately, the President's writ does not run in Wall Street. Indeed, the dollar has hit new heights immediately after two political events which were aimed specifically at reassuring the markets, and the American public, that interest rates will fall.

On Saturday, Mr Donald Regan, the Treasury Secretary, disclosed in Washington that the Administration is looking at options for a change in economic policy if interest rates do not start falling in the coming months. Mr Regan may have been driven to say this because an earlier political event — the resolution of a four-month deadlock over the 1983 Budget — failed to galvanise the money markets in the way that both Congress and the Administration had hoped.

The domestic money markets, which determine the level of interest rates, and hence indirectly the level of the dollar, have not been impressed by either of these moves.

The disappointment over the Budget is easy to explain. The deficit of $103.9bn for 1983 projected in the compromise agreed last week between the Senate and House of Representatives Budget committees is simply much too high, in the view of most Wall Street analysts. It is worth remembering that when President Reagan originally offered a deficit of $92.5bn in February, he was accused of wanting to channel all the nation's savings into Treasury bonds. At that time, analysts and Federal Reserve officials suggested that a deficit of $20bn to $30bn might be about right.

Furthermore, few investors really believe the $103.9bn deficit projection. They make allowances for statistical fudging, economic over-optimism (the projection assumes a real growth rate of 4.3 per cent in 1983) and political uncertainties (some of the painful tax and spending measures the Budget calls for may prove impossible to pass). Their consensus conclusion is that a budget deficit of over $120bn, and perhaps anything up to $150bn, is more likely in the year ahead. The projections of deficits falling to $84bn in 1984 and $60bn in 1985 are quite simply ignored.

Thus, the resolution of the Budget deadlock, which had been expected to improve the morale of the markets, has actually made matters worse, so far at least. For investors, habitual calls for a return to "more responsible" fiscal policies are now seen to be wishful thinking and nothing more.

The poor response to the budget compromise has led the Administration to conclude that monetary policy is to blame for the continuation of high interest rates. As Mr Regan said over the weekend, "What else is there?".

But the options for action on monetary policy are by no means clear. The Administration's monetarists, like Mr Sprinkel, would have the Fed tighten its operating procedures so as to make monetary control even more strict. But that, according to Federal Reserve officials, would almost certainly make interest rates even more volatile, and perhaps higher in the short term.

Politically the Administration is hardly likely to stand for this. The alternative would be a relaxation in monetary policy. If this took the form of an official announcement by the Fed that its targets were being abandoned or even sharply increased, many investors believe that the markets would only panic, thinking that the fight against inflation had been abandoned.

However, there are many ways to skin a monetarist cat, as central banks all over the world have learnt in recent years. If the Fed could be induced to fudge its monetary guidelines and perhaps change its operating procedures to concentrate more on the level of interest rates, it might succeed in making them fall without provoking a monetary explosion.

It is much too soon in the Administration's re-examination of options to conclude whether this is the way of reconciling the opposing principles of Reaganomics that it will indeed attempt. The one thing that is now almost certain, however, is that the Administration will not be able to "just stand there" if interest rates do not soon begin to fall, as Mr Regan said over the weekend.

Anatole Kaletsky in Washington

Men & Matters

Ultima Thule

Is it Thewl, Tool, Tewli, Thewli, or Tooli? Broadcasters have been struggling with mixed success over the past few days to pronounce the name of that obscure scrap of rock in the South Atlantic.

The BBC's pronunciation unit has plumped for Thewl on the advice of the Foreign Office — accepted as the final arbiter in such matters. But the Oxford English Dictionary insists that Thule should be pronounced Thewli, coming as it does from the ancient Greek work for the extreme limits of travel and discovery. Later, the word was used by Pliny to refer to islands six days' sail north of Britain—possibly the Shetland Islands.

To complicate matters further, Thule is the name of a settlement in north west Greenland, pronounced Tooli, according to the BBC. And Thule is also the name of an Eskimo culture.

My man at the British Antarctic Survey headquarters in Cambridge made the issue as clear as mud. "Nobody really knows," he says. However, he maintains that Tewli in Greenland and Thewl in the South Atlantic have become generally accepted pronunciations.

Although the southern Thule was discovered by Captain Cook in 1775, it appears to have been named by a Russian, Admiral Von Bellingshausen, who visited the island in 1820 and published a paper on it 11 years later.

Just to clear up another confusion, the Foreign Office confirms that there were no Argentinians on the island. Instead, there were Argentines.

The ruling on this comes from a curious government body — *the Permanent Committee of* Geographical Place Names for British Official Use, to give it its full title. The 12-strong committee of civil servants, with a staff of three, advises Government departments on how to spell foreign names if not how to pronounce them. Essential in these outward-looking times.

Betting market

LADBROKE'S virtual monopoly in the field of stock market betting is being challenged for the first time. Until today, Labrokes was practically the only company in Britain to take bets on the Dow Jones and FT 30-share indices. Now the gambling giant will have to contend with IG Index, a London concern which employs only eight people.

Although the two offer similar services, Stuart Wheeler, the former merchant banker who heads IG, says that his company will aim for a slightly different kind of punter.

Unlike Ladbrokes, IG takes bets up to six months ahead on the FT index and a year on Dow Jones. Ladbrokes is tied to monthly accounts.

The system is simple. Punters make an "up" or a "down" bet and win or lose a multiple of their bet for each point the index moves. IG quotes a spread of buying and selling prices, which differ by less than 1 per cent.

The other main difference is that IG pays its own betting duty, rather than charging it as an extra to the client.

All this means that Wheeler is exposing himself to the highest degree of risk so far in his seven-year betting career. Previously, he took bets on a selection of commodities which allowed him to spread the risk.

However, he is prepared to experience hefty betting losses, although he will not allow them to reach the scale of the *£750,000 loss he made on* one client betting in metals. Wheeler was cushioned in that case because he took the precaution — as he always does — of investing on his own behalf in the futures markets. In any case, the punter, in true gentlemanly fashion, gave back half his winnings.

Because IG has a betting licence, its 1,500 clients pay no income tax or capital gains tax. It therefore provides a relatively cheap way of speculating. At this point, the distinction between a punter and an investor begins to get blurred.

Court out

A word of warning if the opening day of Wimbledon has inspired you to retrieve your old racket from the attic and slip on your McEnroe hair-band: Don't expect to find a tennis court vacant in London's Battersea Park.

It appears that an unholy combination of tennis-playing entrepreneurs and featherbedded bureaucrats are conspiring to keep the people of South London off the GLC's 19 public courts there.

The issue gave rise to political controversy when Councillor George Nicholson of Bermondsey asked the GLC's arts and recreation chairman Tony Banks to investigate alleged court-hogging by private tennis coaches. Banks promised that any transgression of the complex court-booking rules would be rooted out.

But casual inquiries by a reporter reveal that local opinion regards the private tuition as a minor irritant compared to the block-booking tactics of the GLC's own staff.

Members of the GLC sports club use three of the courts on four afternoons a week for eight weeks each May and June for inter-departmental matches. They are given time off work for the games and use the courts free of charge.

A GLC spokesman claims defensively: "These three courts are the ones which are least used, and are in the worst condition. They haven't been resurfaced for years."

A case of the forehand not knowing what the backhand is doing?

Leg-pull

Nobody can accuse Sy Grann of having his head in the sand when it comes to business. For he has just exported 500 ostrich legs to Switzerland.

Grann, managing director of ROBA (UK), the Harlow-based international freight forwarding organisation, first brought the ostrich legs which weigh over 100 kilos more than 8,000 miles from Africa to the UK. Now they are on the final leg of their journey to Switzerland, where they will be turned into fashionable shoes.

"Last time I shipped crocodile skins and the manufacturers gave me a pair of crocodile skin shoes. I'm worried about what I might get this time," he says. A pair of thigh-boots, perhaps.

Power plant

A Canadian researcher has hit on a positively electrifying idea. He is Reuben Hackman, who is testing a method of electrocuting weeds at Agriculture *Canada's research* station in Ontario.

The principle is dead simple, explains Hackman. "We all know that lightning will kill plants or any living thing."

The execution is only a little more complicated. A tractor motor is hooked up to a generator and the current is passed on to the unwanted weeds through an applicator device.

Tests have shown that a variety of annual weeds could readily be destroyed by one pass through a field. Hackman expects to have enough information to design a full-scale system by next summer.

Judging from my own experience *of labouring* to keep the weeds at bay in my tiny garden the idea should spark off plenty of interest — not just from farmers.

Observer

FINANCIAL TIMES SURVEY

Tuesday June 22 1982

Small Businesses

Enthusiasm for small businesses continues to grow around the world, both in industrialised nations and in less developed countries. But at the same time, doubts remain about their ability to solve the unemployment problem and regenerate the economy.

CONTENTS

New measures to assist key sector

By TIM DICKSON

SMALL BUSINESSES in Britain can never have had such attention lavished on them as they are receiving at the moment.

Ever since the present Government came to power in 1979, Ministers have hammered home the message from the political pulpit that "small should be encouraged"; financial institutions are displaying a keen, if not always well informed interest in the sector; and big companies (through enterprise agencies and other initiatives) are making significant efforts to boost this important part of the economy.

After more than three years of the Tory "love affair" with small firms—and longer, if you take into acount the achievements of Lord Lever under the last Labour administration — there remain, however, a number of paradoxes which must give policymakers cause for concern.

● Despite all the publicity trumpeted from Government departments, newspapers and the like — during last year's Business Opportunities Programme, the Small Firms' Minister, Mr John MacGregor reckons that he met more than 5,000 small businessmen, individually — there is still a suspision that the wide range of assistance may not be reaching those it is meant to help.

● Although the Government boasts that it has introduced some 93 measures specifically for small firms — the round 100 cannot be far off — small businessmen, through their lobby groups, continue to complain that the environment for risk-taking is still not right.

● Increasing numbers of people are either being encouraged (or forced) to set up their own companies at a depth of recession not experienced in this country since the 1930s. The casualty rate is inevitably going to be high.

The Government's attempts to formulate a policy to give new and existing small businesses a better chance of success are not helped by the absence of reliable statistics.

Since 1971—the year of the now famous Bolton Report which first identified the importance of the small business sector and the extent of its neglect—there has been a notable decline in the quality of official data on small firms, either for fear of overloading the small businessman with extra work or to cut back on public sector expenditure.

Statistics are not just for academics' interest. If we know how many small firms there are —estimates range from 1.3m to 2.3m, depending on whose figures you take—and what proportion of the economy they represent, politicians can decide more accurately what resources to allocate—and where they should be deployed.

Little is authoratively known, for example, on company life cycles—a subject which, if studied in more depth, could persuade the authorities to devote more money to supporting established companies, rather than start-ups.

The past year, however, has seen the birth of the two most far-reaching measures specifically for small firms in the UK. These developments are the Loan Guarantee Scheme, which provides a Government guarantee for 80 per cent of certain loans made by the banks, and the Business Start-Up Scheme, which gives individuals who invest in a new private company relief at their top marginal rate of income tax.

Demand for the Loan Guarantee Scheme has exceeded most expectations and the amount set aside by the Government has been raised from its initial £150m limit to £300m.

As with the more recent Small Engineering Firms Investment Scheme — which offered grant aid to companies investing in up-to-date machine tools and which was met by a flood of applications—it seems that when the Government is prepared to hand out free goodies, then there are plenty of takers.

Its success, however, has prompted some people to suggest that banks operating the scheme may *not* be using it to support "additional" lending —but rather to safeguard loans that they would in any case have made. There is also some official concern that the 3 per cent interest rate "premium" charged under the scheme may not be sufficient to cover the cost of failures.

Revolutionary

The impact of the Business Start Up Scheme, on the other hand, has been less noticeable, but it is a no less revolutionary an initiative. The scheme is a bold attempt to reverse the trend in Britain in the 1970s when 90 per cent of net personal saving went into one of three tax priviledged forms—pensions, life insurance or residential property.

This has been harmful to the economy in two ways; firstly, by diverting resources which might otherwise have gone into small businesses; and, secondly, by locking up assets in highly illiquied forms of investment and, because of the way occupational pension schemes are run, discouraging employees from moving out of big companies even when they have the entrepreneurial urge.

The first year of the Business Start Up Scheme—which was introduced in the 1981 Finance Act—has given new impetus to the debate about whether individual investors or large institutions should be encouraged to provide the much needed finance for new firms.

Although there are a couple of pension funds conspicuously trying to provide this seed capital, the conventional wisdom of many managers is that big institutional funds are too unwieldy to seek out and devote enough management time to start up situations. The reward simply does not justify the effort.

Although it is still early days, individuals do not, however, seem to have responded on their own account to the Start Up Scheme.

Thanks to a last minute amendment in the 1981 legislation, investors have been able to subscribe to approved managed funds and it is these—there are now six on the market which appear to be making all the running.

Even so, the response has been disappointing.

In his Budget Statement in 1981, the Chancellor indicated that £150m would be allocated over three years to cover the cost of the relief, implying possible gross investment of £225m.

At this stage, the funds have only invested about £11.5m and, according to one leading fund manager, are unlikely to commit more than £25m by the time the scheme runs its course in April 1984.

Unless investment by individuals increases significantly — and the attitude of leading accountants suggests that this is unlikely — the total on a very rough estimate for the three-year period might not exceed £50m.

The attitude of accountants and stockbrokers — both professions provide links between wealthy individuals and cash hungry entrepreneurs — will continue to be crucial.

The signs at the moment are that these intermediaries find the start up legislation too complicated and the prospect of advising a client to invest in a small company too risky, preferring to play safe with familiar tax dodges such as leasing containers or investing in small industrial units.

That is a pity. The combination of the Start up Scheme and the recent, although still slightly ambiguous provisions allowing companies to buy back their own shares offer a potentially unrivalled investment opportunity. It has to be recognised, though, that this is a potentially risky course — a point not surprisingly emphasised by the "professionals."

Money supply

If finance continues to be a problem for the very new company, it is generally felt that money is no longer in short supply for the more esablished firm with good growth prospects.

The Industrial and Commercial Finance Corporation (ICFC) has for long been the foremost provider of specialist long-term finance for the smaller company, but in the last two to three years a whole host of other institutions (not least ICFC's own shareholders, the clearing banks) have entered this market.

Many merchant banks are also displaying more interest, though this tends to fluctuate with their own profits and their own early experiences. (One or two have had their fingers badly burnt).

If some of the institutional enthusiasm has more to do with fashion than genuine conviction, there are, at the same time, signs that a more permanent venture capital industry is emerging in the UK.

Money, however, is not the only problem as the Government resources devoted to initiatives such as the Small Firms' Service, the Manufacturing Advisory Service (MAS), the recently announced Small Firms Technical Enquiry Service and the British Overseas Trade Board, bear witness.

The Government and others have become increasingly aware that while the financial gap is closing, a general management and marketing gap remains wide open. There is no doubt that many people are setting up in business on their own who are unsuited to the life of the entrepreneur—a point emphasised by some of the management buy outs which have failed to live up to the dreams of their new owners.

Working for oneself involves a wider range of skills and more commitment than working for a big ompany and it would therefore be wrong if the enthusiasm for small businesses was not tempered by an awareness of the pitfalls and as many safety nets for the unwary.

There is certainly no shortage of—indeed there may be a confusing surfeit—non-financial help from enterprise agencies, higher education colleges and Government.

But there is a limit to what can be done. Successful entrepreneurs regularly opine that the only way to learn is by making mistakes—and although some can undoubtedly be eradicated, there is no substitute for experience.

Heavy demand caused ceiling for finance to be lifted, says **John Elliott, Industrial Editor**

Government policy faces significant tests

Mr John MacGregor, the Industry Minister with responsibility for small firms, says confidently that "people are now encouraged to become entrepreneurial again."

THE GOVERNMENT has broken new ground during the past year with the launch of its bank loan guarantee scheme and the small engineering firms investment scheme.

Both have been heavily oversubscribed, demonstrating a demand for finance that had not been expected. As a result the ceiling for the loan guarantees has been doubled from £150m to £300m and the engineering scheme has been shut down after a few weeks, having been expanded from an initial £20m to £30m.

The impact of these two schemes could have a significant influence on the development of support for small businesses in the UK. One underwrites 80 per cent of bank loans and the other subsidises a third of the cost of modern machine tools. They are both far too interventionist to have been acceptable to Ministers during the first year or so of the present Government's administration.

So broad Treasury and Cabinet support for such intervention could be reduced if, with hindsight, it appears that Government funds have been wasted. If the guarantee scheme has too many failures (see later article) because banks have lent too rashly, or if banks have often substituted the guaranteed loans for traditional funds, the scheme will go into disrepute. Similarly, the chances of the engineering scheme being reopened, and of other similar projects being introduced, will be diminished if it emerges that a lot of the 1,750 small businesses that have applied for aid have only purchased machine tools that would have been bought anyway.

But the Government's decision to pledge taxpayers' money will be vindicated if what is called "additionality" can be proved. This means that additional loans and investments have been made which would not otherwise have taken place or which would have happened later or on a smaller scale.

Mr John MacGregor, the Industry Minister with responsibility for small firms, is remaining cautious about the effect of both schemes until he has completed initial reviews of their operations. Final judgments will not be feasible for two or three years at least in the case of the loan scheme. But the Government requires provisional verdicts this summer.

Meanwhile, Mr MacGregor is convinced that both schemes were introduced at the right time, catching the entrepreneurial mood which has grown during the past few years despite the rigours of the recession.

Ultimately—long after the next General Election—this Government's economic policies will be judged partly by how far such schemes and the general upsurge in small business activity are successful in producing sound and expanding companies that offset the erosion of the country's industrial base during the recession.

Mr MacGregor is full of confidence. "People are now encouraged to become entrepreneurial again," he says. "I am convinced after 18 months in my present Ministerial job that our policies are right and that our help for small firms is fitting together. There is real enthusiasm in new businesses, in management buy-outs and in companies pushing for exports."

Risk of backlash

He acknowledges that there is a risk of a backlash if initiatives like the loan and engineering schemes waste Government funds or, for example, if a lot of management buy-outs fail because of too much enthusiasm and too little experience among those involved.

He is relying on the improved statistics that the Department of Industry is now producing on small businesses to provide a sound basis on which the policies can be judged. He also recognises that he has an educational job to make people realise that encouraging small businesses is a high-risk activity and that failures are inevitable. "If we don't have bad debts in the loan scheme, then it's not working," he says.

He may have problems later this year in persuading the Treasury that the cost of these failures is not too high. Already the Treasury has refused to extend the engineering scheme beyond its eventual £30m and it was that refusal which made it necessary last month to shut the scheme down—at least temporarily. Fresh funds will probably be sought for it later this year.

Sir Geoffrey Howe, Chancellor of the Exchequer, is keen on the small firms' policy and play a significant role in the Government's Business Opportunities Programme which ran through most of the past year, culminating in a Mansion House luncheon in London. The object of the programme was to make small business and their range of Government help available to them. Over 7,000 small businessmen and their advisers attended 18 major conferences and 56 smaller events at a cost to the Government of just over £9 per head.

One of the Department of Industry's success has been the acceptance by other Whitehall departments of the need to help small businesses. This started under the last Labour Government but has increased. There are regular inter-departmental dialogues—for example with the Environment Department on the impact of rates and the encouragement of enterprise agencies, and with the Employment Department on the enterprise allowance pilot scheme.

This enterprise scheme provides £40 a week allowances for unemployed people who set up their own businesses, offsetting their loss of unemployment and supplementary benefit. It operates in four pilot areas and so far over 450 people have been helped. It may well be extended to other areas during the coming year.

Other innovations by the Government in the past year include improvements in personal tax concessions, encouragement for factory building, extension of counselling services, and a new technical inquiry service for small firms which was launched two weeks ago. Local enterprise agencies have been given tax relief. (The current creation of local authority enterprise boards in places like London, and Birmingham will also help small businesses with financial support and advice.)

The Industry Department is also considering how to encourage public sector purchasing agencies to place more of their orders with small businesses. It has rejected proposals for the sort of quota system which operates in some other countries when perhaps 20 per cent of certain public sector purchases have to be placed with small firms.

Now it is considering whether to try and persuade the Treasury to change its purchasing guidelines on value for money to stress the value of buying from small businesses, especially those operating locally.

So far Mr MacGregor is proud that the Government has introduced 93 measures to help small businesses since the General Election. His problem is that up to now the effect of many of the measures has been negated by the pressures of the recession.

BIRTHS AND DEATHS OF UK FIRMS BY SECTOR: INDUSTRY DEPARTMENT ESTIMATES FOR 1980

	Agriculture	Productn.	Constructn.	Transport	Wholesale	Retail	Finance†	Catering	Mtr. trade	Other serv.	Total
Births	4,900	10,400	18,000	4,800	10,100	22,900	7,400	11,300	6,100	17,200	113,000
Deaths	5,400	10,000	15,000	5,700	8,200	31,600	5,900	13,000	6,300	14,500	115,700
Net births (deaths)	(500)	400	3,000	(900)	1,900	(8,700)	1,500	(1,700)	(200)	2,700	(2,700)

† Includes also property and professional services.

Substantial efforts are now being made to gather data on the small business population

First moves to discover sector's statistics

ONE OF the major problems for policymakers in the UK is the absence of useful data on the small business sector.

Since small firms first started to force their way into the centre of the political arena—about 10 years ago—there has been a significant increase in research activity. Some of this, it has to be said, has been somewhat opportunistic and misdirected, encouraged in some cases by those who are always prepared to throw money at any fashionable sector.

In spite of the volume of work on the size and importance of the small firm population which has been carried out recently—some of which may be beginning to make an impact on Government policy—Mr Graham Bannock, the managing director of the Economist Intelligence Unit points out that small business statisticians can still be compared with "archaeologists trying to piece together scraps of evidence."

One reason why statistics matter was put forward quite clearly last year in a paper prepared by the Union Européene de L'Artisanat et des Petites et Moyennes Enterprises (UEAPME), to which the Association of Independent Businesses (AIB) in the UK is affiliated.

Berating the European Community for not making more effort to gather reliable data, the UEAPME accused officials of "unjustified statistical classification."

"As a result of 'drawing the lines in the right places' one arrives not only at unrealistic data on the real implications and importance of SMEs but also at erroneous policy conclusions," it argued.

Ironically the gathering of useful information on the small business sector in the UK has to some extent been hampered by public sector cutbacks and by the Government's reluctance to increase the number of forms which small firms already have to fill in. Both these, of course, are perfectly understandable and to most small businessmen laudable aims—but they have to be balanced against the requirements of policymakers.

Much of the useful recent statistical work on small firms has been carried out by Mr Pom Ganguly, the Department of Industry's resident statistician. Ganguly feels particularly strongly that uncontrolled expansion of research "will do nobody any good" and argues that those in the field have to start by asking the right questions. "There is a lot of fruitless research which tells you nothing," he says.

Ganguly's main effort has been to analyse the returns of the 1.3m firms in the UK registered for VAT. From these he has drawn the tentative conclusion that in 1980 roughly the same number of firms (10,000 a month) come off the register as go on to it. "Births" and "Deaths" of firms were therefore roughly in balance, representing just short of 10 per cent of the small firms population.

Caution urged

Details of this work appeared in British Business, the Department of Industry's magazine on January 29 this year while a regional breakdown was published on April 2. Ganguly stressed at the time that his findings should be treated with caution—deregistration for VAT purposes does not necessarily imply "death," for example—but he strongly maintains that the VAT figures provide the best available sample. He is currently engaged on updating his conclusions for 1981.

Also expected from the Department of Industry this year is a new report on international comparisons. Ganguly believes that comparing the number of small firms in different countries is "an intellectually sterile exercise" but the new paper will test the validity of some of the comparisons which are frequently made by others.

His most eagerly awaited study, however, will probably be an analysis of company lifespans which he intends starting next month. This will be an attempt to follow through the births and retrace the deaths which he has pinpointed from the VAT returns. It could provide some basis (or not) for the wild claims which are currently bandied about on this subject.

"If we could find that there was a crtical period after which firms stood a much better chance of surviving it could have important implications both for the emphasis of Government policy and for the financial institutions," he says.

Ganguly would like to have more information on employment in small firms—something which he feels could be achieved by including a new section on VAT forms. He admits it would be a considerable undertaking and would probably be administratively time consuming and expensive.

Tim Dickson

Mr Graham Bannock, managing director of the Economist Intelligence Unit: "Small business statisticians are like archaeologists."

Mr Pom Ganguly, the Department of Industry's statistician who is looking into the life and death of small businesses.

Advice should be sought early to make the best use of the range of changes in tax policy

Basic rule: remember the tax man

MUCH OF the help for small businesses in the last two to three years has been directed through the tax system.

The present Government came to power committed to encourage enterprise and while measures such as the (modest) reduction in income taxes and (more recently) the cut in the National Insurance surcharge have helped all companies, there have been a large number of specific measures aimed at small firms.

These can be categorised under three headings: setting up a business; the established business; and passing on a business.

It is now widely believed (in the City at any rate) that companies with a decent project should have little trouble finding £100,000 or more from a financial institution. The big problem for an entrepreneur, however, lies in getting his hands on just a few thousand pounds to get himself started.

Several institutions (notably pension funds) are now showing more interest in providing this sort of seed capital but though there are honourable exceptions institutional vehicles are not best suited to seeking out and backing new ventures. A new company needs to be carefully watched and administratively is likely to prove too time consuming for a fund or merchant bank with several million pounds to invest.

That is why the Government introduced in 1981 the Business Start Up Scheme, which allows individuals to claim relief at their top tax rate on an investment in a "new" company (up to five years old).

In theory at least private capital should be ideally suited to supporting new businesses but in spite of its generosity there is little sign that the concession has yet made a significant impact. Individuals are allowed to put up to £20,000 into a new company under the scheme this year and next year (£30,000 this year if they did not exhaust last year's £10,000 limit) but there are a number of other conditions which, claim leading accountants, have deterred many potential investors.

One is the delay between committing money and receiving tax relief though following an amendment in the current Finance Bill this relief can now be claimed four months after the new business begins to trade, instead of 12 months as previously ruled.

Finding a suitable new company in which to invest, moreover, is proving to be easier said than done and many individuals appear to have been attracted by the funds which have been started to pool investors' money. There has certainly been no shortage of applications from fledgling businesses which suggests that the demand is there.

Buy back plan

Another measure which should help new businesses, as well as established ones, is the new power for limited companies to buy back their own shares. This was granted in the 1981 Companies Act but as they stood the tax rules would have made the proceeds of any sale back to the company subject to income tax. Provisions are being made in the current Finance Bill to make the charge to capital gains tax in certain cases where an unquoted trading company buys back its shares.

This proposal is designed primarily to assist small and family companies and as Mr John Rayer, a partner in accountants Robson Rhodes points out, "it will enable somebody to get out of an established company at some future date and at the same time encourage a new business to take on board outside shareholders."

The last point is particularly important for at the moment there is no ready market for shares in an unquoted company (besides the unlisted securities market). Without an escape route investors in the past have been reluctant to part with their money and even where they have proprietors have been apprehensive about letting in outsiders.

Rayer says: "Some of the conditions for the Business Start Up Scheme and the buying back of shares are remarkably similar. I can see situations in future where they could well be used together in a package."

A less far reaching but nevertheless useful measure in this year's Budget is the extension of the qualifying period for relief on pre-trading expenditure. Certain types of spending (eg wages, rent and rates) qualify for tax relief if incurred by a business not more than three years before it starts to trade. (Previously this period was just one year.)

Extra help has also been given for investment in a close company (ie broadly speaking one controlled by five people or less). At the moment individuals borrowing money to invest in such a company must own more than 5 per cent of the shares before they can claim tax relief on the interest for the loan. When the Finance Bill reaches the Statute book there will be an alternative test from March 9, 1982—shareholders who have worked for the greater part of their time in the management of the business will also qualify for the relief.

A complaint

Some lobbyists have complained over the past couple of years that while the present Government has done plenty for start-ups there has been precious little in the way of specific measures for established smaller companies. This perhaps ignores the significance of the Loan Guarantee Scheme but it is true that most of the fiscal measures have been designed to help brand new businesses. There is, however, a "small companies" rate of corporation tax and the self-employed and those in non-pensionable employment should not forget the increasingly generous retirement annuity relief allowing them to take money out of their businesses to make provision for their retirement.

The Government can, however, justifiably claim that it has made passing on a business to the next generation or selling out to new managers much easier.

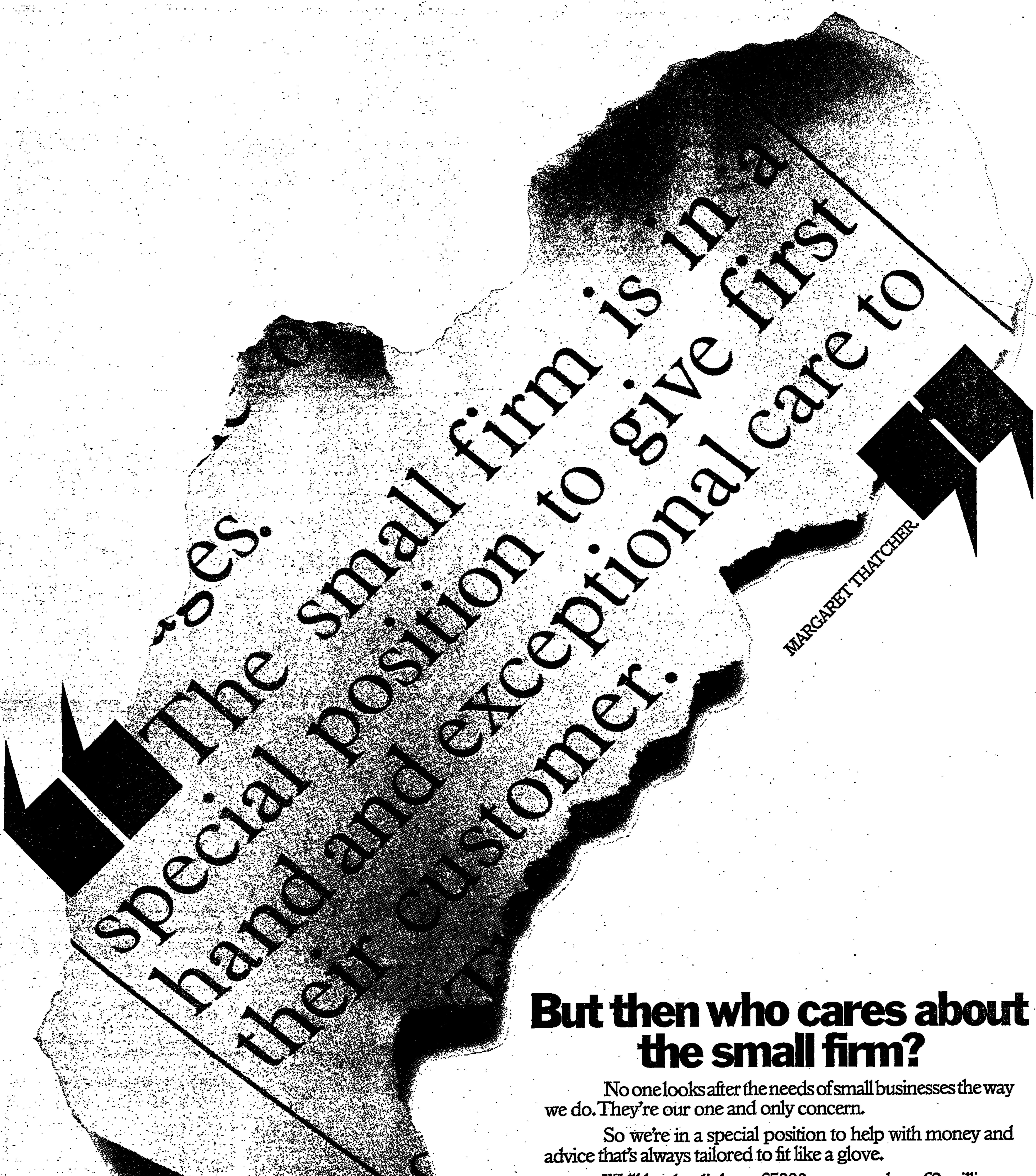
The biggest breakthrough on this front is the commitment in this year's Finance Bill to index capital gains tax. Since it was introduced in 1965, CGT has applied to the inflationary element in all nominal gains—a situation which has become increasingly unfair throughout the high inflation seventies. Now, however, the Government has agreed to scale down any rise in an asset after it has been held for 12 months by an amount equivalent to the Retail Prices Index (RPI).

There is much criticism at the moment that no retrospective relief is being allowed but as things stand the new provisions mean that someone starting up a business today can rest assured that the fruits of his success will not all end up with the Inland Revenue.

On capital transfer tax (CTT) considerable progress has been made although pressure groups like the Union of Independent Companies would like to see a system of roll-over relief for businesses passed on intact to the next generation of managers. As it is a business valued at more than £200,000 can be handed over free of CTT if husband and wife take full advantage of their allowances.

Anyone motivated by the desire to hand on their company to the next generation, however, should take professional advice from a tax accountant at a very early stage. Schemes can be devised to keep much larger sums away from the grasp of the taxman but it is much better (if possible) to think of this right at the outset.

T.D.



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SMALL BUSINESSES IV

Sources of finance continue to expand rapidly. Loans, equity and other funds are more easily obtainable. But providers of capital are having to learn to live with failures as well as successes.

Clearing banks increase appeal to smaller companies

:LEARING BANKS in some vays suffer from a strangely .mbivalent attitude to small irms.

*On the one hand some stal-*varts in their ranks still ask vhat all the fuss is about—ience the initial opposition to he idea of a Loan Guarantee :cheme: on the other hand, the :anks are clearly making con-iderable efforts to improve heir knowledge and skills of he sector and to be seen to be :oing everything in their power .o encourage it.

Cynics have suggested that *ne major reason why clearing* ·anks are showing so much oncern for small firms is ecause they fear a renewed olitical attack on their excess" profits. Political brownie points" may, of ourse, be one convenient spin-ff from activities in this field ut the signs are that their :vestment is more deeply ooted than that. Banks have een forced to look at small usinesses in the last 10 years or their own growth largely ecause overseas competitors ave pinched some of their raditional big company narket.

The four major clearers—Barclays, Lloyds, Midland and National Westminster — domi-iate the banking scene in the IK and it is they which have ieen making the biggest effort o improve their image and ppeal to the smaller firm. *Other banks have been show-*ng keen interest in the market, s shown by the number of hose which applied to operate he loan guarantee scheme).

The biggest problem has been o encourage branch managers n the field to take a more ympathetic and imaginative ittitude to their smaller ustomers. In particular the nore far sighted head office staff realise that the good manager must be encouraged to form an individual judgement about the quality of the management and the size of the *market for the product* he is being asked to back, rather than simply looking for security and leaving it at that. Firms at a very early stage or firms which are involved in heavy research and development programmes often do not have the collateral to support their borrowing.

This is not to suggest that banks should go out to lend willy-nilly regardless of whether or not that money is secured. *Through secondment to enter-*prise agencies and other small firms agencies like BSC (Industry), however, some managers are now learning to think of the viability of the project first and the money raising problem later.

This, of course, is easier said than done and contains an inherent contradiction. The more imaginative and far thinking branch manager likely to offer intelligent support to his small business customers is also likely to be promoted to regional or head office so that his skills can be deployed to serve big—and by definition more profitable—customers.

With so many potential public and private sector sources of grants, capital and loans, a good bank manager should nevertheless look beyond his own immediate *resources in order to construct* a package. In the long run, the theory goes, this will benefit everybody for the investment in time at the outset will be rewarded by new business from a growing customer.

At the moment at any rate, the banks seem to believe in this new Jerusalem. The similarities in their strategies are probably greater than the differences but it is possible to detect individual slants in their thinking.

Midland Bank, for example, has set up a number of area *offices to* cater exclusively for corporate customers. Typically an area office will handle the business clients of seven or eight branches. The idea of this arrangement is to take some of the pressure off the hard pressed branch manager (who these days is always in danger of being snowed under by administrative minutiae) and develop a breed of specially trained and experi-*enced staff to deal exclusively* with corporate customers.

Barclays and Lloyds, on the other hand, put considerable emphasis on their Business Advisory Services (BAS), which were set up in 1973 and 1976 *respectively. These in each case* consist of a band of trained managers who specialise in in-depth reports on all aspects of a company's "on site" visit. BAS visits are designed to back up the work of the branch manager and are free to customers of the respective banks. They serve as a marketing tool for Barclays and Lloyds besides providing a thorough outside view for the company. Suggestions for improvement in financial techniques are invariably made.

National Westminster, meanwhile, has only demonstrated its enthusiasm for the small business sector more recently. It is looking closely at the policies of its rivals but for the moment at any rate believes that—although the demands on his time and skill are greater—the branch manager is the best person to deal with the bank's corporate customers. NatWest is showing no less concern than the others for training and (in its case particularly) the lessons of secondement to enterprise agencies.

Besides training, the banks have not been slow to decorate their shop windows with small business loan schemes and other "products." The *wrapping on the paper may be* different but the goodies underneath the packages described in the table are often remarkably similar. At least they show that, if companies are prepared to ask, the banks are happy to lend medium term.

One scheme which does not appear in the table is the Barclays Bank Business Start Loan, which in its original form was killed off by a tax avoidance measure in this year's Budget. Instead of interest payments the Start Loan gave Barclays a return linked to sales in the form of royalty. This quasi equity arrangement was widely *believed to be useful* for new companies with an early cash flow problem and Barclays is currently working on a new variant to be announced next month.

Tim Dickson

SMALL BUSINESS GUIDE: Major Clearing Bank Lending Schemes

	Loan	Term (years)	Limits (£)	Security (yes/not)	Cost/Conditions	Repayment
Barclays	Business expansion	2-20	none	yes	flt: 1½-4 over base fxd: 14-16½	negotiable*
	ECSC loan	8	5,000-50,000	negotiable	10.7 (true) thanks to EEC subsidy	monthly/ quarterly
Lloyds	Asset	up to 5	5,000-25,000	normally	fxd: 16.7-17.7	monthly
	Enterprise	up to 10	25,000-250,000	normally	flt: 3-5 over base	monthly/ quarterly*
Midland	Medium-term	2-10	5,000+	normally	flt: 1-5 over base fxd: 15-16	negotiable*
	Venture	*2-10*	*5,000-250,000*	yes	flt: 3 over base	monthly/ quarterly
	Long-term	10-20	20,000-500,000	normally	flt: 3-4 over base fxd: 15½-16½	monthly/ quarterly*
	EIB	8	15,000-50,000	normally	14 (inc.charges)	monthly/ quarterly
NatWest	Business development	1-20	2,000-250,000	optional	fxd: 14.72-16.29	monthly
	Growth options†	1-10	10,000-100,000	No (directors' guarantee yes)	fxd: 15	monthly*
Williams & Glyn's	Business borrowing plan	up to 10	10,000-250,000	normally	flt: 3-5 over base fxd: 14.7-16.9	negotiable*
All Banks	Loan guarantee scheme	2-7	Up to 75,000	normally (not personal)	flt: 4-5 over base (inc. gov. premium 2.4)	monthly*

There are 30 banks in the Government's loan guarantee scheme (see feature below). They are: Barclays, Bank of Credit and Commerce International, Beneficial Trust, Co-operative, Coutts, Hill Samuel Lloyds Midland, National Westminster, Williams and Glyn's, Yorkshire, Bank of Scotland, Clydesdale, Royal Bank of Scotland Allied Irish, Bank of Ireland, Ulster Bank, Northern, Industrial and Commercial Finance Corporation, Brown Shipley, Commercial Credit Services, County, Hong Kong and Shanghai, Bank Leumi, Norwich General Trust, Standard Chartered, Swiss Bank Corporation, TCB, United Dominions Trust British Linen.

John Elliott examines the rapid growth of the Government loan scheme launched a year ago

Well over 4,000 loans approved so far

THE Government's loan guarantee *scheme is continuing* to exceed all expectations both in terms of the number of loans approved and the number of failures. Over 4,500 loans totalling more than £150m have been approved by the Department of Industry and it is beginning to look as if a failure rate of between one in ten and one in 15 is emerging for loans made in the early months of the scheme.

Mr John MacGregor, Industry Minister responsible for small firms, is holding talks with the banks and the small firms' associations about possible changes and later this year he will have to advise his minis-*terial colleagues on what should* happen when the current lending ceiling of £300m is used up.

The failure rate is causing some concern in Whitehall because it could mean that the *scheme will not be self-financing* The Government might try to tighten the rules next month although it could decide to leave any major changes until the end of the year.

Pilot project

The scheme was launched as a three-year pilot project in June last year and the Treasury set an annual ceiling of £50m for the loans it was prepared to allow the Department of Industry to guarantee. Under the scheme, the Department approves loans of up to £75,000 and underwrites 80 per cent for which it charges a 3 per cent premium. *The banks provide* the loans and carry the remaining 20 per cent, fixing their own rate of *interest which is gener-*ally 1½ per cent to 2½ per cent above base. The Government's 3 per cent is intended to produce sufficient funds to cover the cost of the failures.

It soon became clear that £50m would not be enough for the first year's ceiling and the second £50m was brought forward at the end of last October. The third £50m was then approved by the Chancellor of the Exchequer in the March Budget. He also announced that the original total of £150m was being doubled to £300m to cover a second year's operations.

Recently the approvals have been rising at a rate of £20m a month and have even shown some signs of accelerating towards £30m. Unless there are some changes, this means that the full £300m could well be *used up by the turn of the* year, several months earlier than was planned in the spring. A precise date is hard to forecast because not all loans approved, are taken up.

But some time between the autumn and Christmas Ministers will have to decide whether to continue the scheme for a third year in its pilot form or, which is more likely—to change some of the rules and put it on a permanent basis. The other option, which does not look politically tenable, would be to close it down.

Changes in rules being considered are aimed at making it *slightly more difficult to obtain* the loans. This could be done by allowing banks to insist on *some personal security in order* to increase the businessman's risk. At present, in line with the principles of the scheme, they are forbidden to ask for such security.

The banks could also be asked by the Government to cover more than 20 per cent of the guarantees in an attempt to make individual bank managers and vetting officers in regional offices more wary about the worst risks. The Government is also worried that many loans are being given to businessmen who could quite easily obtain other forms of finance, especially if they were prepared to provide readily available security. The Government's 3 per cent premium could also be raised if the failure rate is too high.

At the same time the Government is under pressure to raise the level of loans above £75,000 and there have also been suggestions that it should publish a regular league table of banks' lending and failures.

From the start, several of the main clearing banks raced each other to see which could notch up the most loans. One, which faltered at the starting line, issued instructions to its managers after a few weeks to produce loans more quickly. Now the banks tell conflicting stories about themselves and each other, reflecting clashes of views about whether the scheme should ever have been introduced.

Barclays Bank has led from *the start but by last week had* been overtaken by National Westminster on the number of *loans approved. Barclays had* 987 loans totalling £37.7m, while National Westminster had 1,018, totalling £33.5m. This is probably due to National Westminster cutting its interest rate in February from 2½ per cent above base to 1½ per cent, the only major rate change since the scheme was launched. The Co-operative Bank is believed to remain the lowest of the total of 30 banks now admitted to the scheme at 1½ per cent.

Other banks

The third largest is Lloyds with 758 loans totalling £25.2m closely followed by the Midland at 754 loans (£22.7m). Some way behind comes the Industrial and Commercial Finance Corporation with 385 loans (£15.6m).

But the amounts drawn down are far smaller, sometimes only two-thirds of the amount approved, because businesses have 60 days to take the loans. This period can be extended—as has happened for many companies that rushed to their banks *earlier this year fearing* the scheme would be closed when the initial £150m was used up.

Among the smaller banks, the Co-op has 100 loans (£3m), the Yorkshire has 185 (£3.3m), Williams and Glyn's has 122 (£4m), Hill Samuel has about 30 (£1.5m), Coutts has eight (£445,000) and Bank Leumi has five (£155,000).

Average size of loans have varied little from the first weeks and stand at around £33,000. The loans are still *broadly split 50-50 to 60-40* between new and existing businesses and manufacturing and other sectors. The south-east of England remains the most active area and the north-east the most disappointing.

Breakdowns of failures are not yet available but each of the big four clearing banks says it has submitted eight failures to the Industry Department while the ICFC has sent 12 and the Yorkshire and Co-op each have notified three.

Barclays admits it has "had problems" with 11 per cent of advances it made in the first four months and ICFC's results *indicate a 1:12 failure rate in* pre-Christmas loans.

A total of about 50 failures have been reported to the Department and another 50 are being processed by the banks. Compared with the 1,500 loans approved before Christmas, 200 or so of which were unlikely to have been taken up, this indicates a failure rate of one in 10 to 15.

So the Government now faces some difficult decisions as the rate of approvals mount and the failures stemming from the early months come in. Ministers know that easy access to loans requiring instant repayment and payment of interest may not be good for new and rapidly expanding businesses.

Such businesses would have better chances of surviving if their loans carried one or two-year repayment holidays which are not offered in this scheme.

Such cash-draining problems were endlessly debated before the scheme was introduced. Opponents of the scheme warned that small businesses needed equity rather than expensive loans—the guarantee scheme carries a total interest of around 17 per cent when the Government guarantee is included.

No one knows whether the failure rate of one in 10 or 15 that appears to be emerging for the early months will improve for later months when banks had gained experience of the scheme. There may be so many failures still to come from the early loans that the rate will not improve much.

So Ministers may face a stern test in the coming months of their resolve to help small firms and of their ability to influence the lending practices of the banks.

PROFILE: TELEVISION CONTROL SYSTEMS

Beneficiary of Pilkington fund

A PROFIT of over £50,000 on sales of £275,000 in your third year of trading would seem a reasonable performance by any standards. But Cliff Warwick was in a fix. Desperately short of working capital but with a good and expanding order book, he was in a classic vicious circle.

Having started with no money but a bank overdraft he had to rely on current year profits, plus borrowings secured against stock and debtors, to fund the next year's growth. But by trading at a profit from year one he began to run up against a corporation tax liability in year three and so found his available profit being eaten up just when demand was really taking off.

"I was massively overtrading," admits Warwick. "But then what else can you do if you start with nothing. You have to overtrade."

Last autumn his problem was solved by his bank, which suggested he might contact Rainford Venture Capital, the fund set up by Pilkington Brothers, the glassmakers, to promote new businesses and employment in the St Helens area of Lancashire where it is based.

Today Warwick's company, Television Control Systems (TCS), stands poised for rapid growth, having had an injection of £150,000 of new equity capital last November from Rainford, together with help and advice on establishing a broader management team, and moving into a new 6,000 square feet factory in St Helens from its present cramped Southport premises.

Warwick, 38, a miner's son with an Higher National Diploma in electronics engineering, set up TCS after a short career with Shipton Electronics (he helped sort out the gremlins *in the communications system* installed in the new Stock Exchange building in the early 1970s) and an ill-fated move into a small telephone paging equipment company in Southport that failed.

Initially he supplied just parts for security systems, such as motorised lenses for cameras and the mechanics for swivelling and tilting *them*. But in tandem he developed a new security system, based around a micro-processor controlled console. This for example, enables a container base to have its perimeter fence specially wired, so that any interface with it would trigger a video camera to be trained on the point of interference and give a security guard an immediate visual display as well as recording what was happening.

Expansion

It was at the intensive week-end workshops held regularly by Venture Founders—which manages the Rainford fund—that Warwick's need for more equity and management became very apparent. When an agreement for the £150,000 funding was reached it took into account that this would be the sum required to finance an expansion programme—taking in new business, a move to new premises and the recruitment of a production manager and sales manager (these positions have now been filled) and financial manager (who should be recruited shortly).

With the greater credibility and stability he now feels he displays Warwick is beginning to attract bigger orders from *bigger companies. This allows for a* more measured production schedule compared with his earlier rushing around (and consequent lateness with order delivery).

Warwick is budgeting for sales in the year to June 1983 of £1.1m and profits of £200,000, with further substantial growth thereafter.

Meanwhile he is retaining control of his company, holding more than 50 per cent of the equity with Rainford a minority partner.

Nicholas Leslie

Irony in development of venture capital

THERE IS A certain irony about the current development of venture capital in the UK, according to Geoff Taylor, director and general manager of Technical Development Capital, the venture capital arm of Industrial and Commercial Finance Corporation. It is that, while first-stage high-risk equity financing of start-ups or of very young companies has become the sharp end of British venture capital, the U.S. venture capital partnerships are getting bigger, with longer lives, and are becoming very interested in second- and third-round financing of companies. That is precisely what used to be called venture capital in the UK just a few years ago, says Taylor.

High-risk equity finance, or the sort that does not require the recipient to pay anything out for several years, has certainly gained credence among the financial community as a viable exercise. Yet—and here is another irony—Brian Haslett, whose Venture Founders manages two major venture capital funds (Rainford Venture Capital and Venture Founders Capital) set up in the UK in the past two years, is finding that while access to funds is now less of a problem for venture capitalists than it used to be it is taking longer than he originally expected for the entrepreneurial community to comprehend the potential of it fully.

As a result, says Haslett, "we have got quite a lot of slow fuses coming in now." By which he means that those who as long as 18 months ago knocked at his door but then went away having not fully understood what was on offer are now returning. Having gained a better insight into where venture capital fits into the ever growing number of financial options available they are now ready to climb on board the venture capital bandwagon.

They are consequently readier than hitherto to forego some equity for a deal that, while setting them tough growth targets and carrying constraints on when, how and if dividends may be paid or acquisitions made, does nevertheless give them a large slice of funding at effectively nil cost for a number of years.

It is almost impossible to quantify the amount of venture capital that has become available in the last two or three years, simply because of the perennial problem of definition. If you interpret it as financing situations where a funding package comprises nothing but equity the figure is probably no more than £20m. If it is taken as meaning equity and an element of loan the figure is upwards of £50m.

Key question

The ever-present question of definition is a problem not only for those trying to explain the parameters of venture capital but equally importantly for those entrepreneurs who have to decide what is best suited to them. It could, however, become a wider problem. Indeed, some feel that unless there is a recognition of the different approaches to this area of financing the very stability of the industry could be threatened.

Venture capitalism now has a very high profile, not least because it is spearheading the generation of the type of new company the Government is keen to see—fast-growing enterprises which will create new industries and new employment. But some venture capitalists believe money is coming on the market which will be placed with companies without the required level of assessment, properly structured terms and subsequent monitoring. If that were to lead to a disproportionate level of failures—and a higher number has always to be expected with venture capital compared with more traditional methods of start-up financing—the critics could have a field day and retrenchment might follow.

The nervousness is to be making the running in the high-found more among the American-style venture capital funds which are undoubtedly risk financing stakes. They tend to believe that the intensity of their assessment of potential investments and the subsequent close contact they maintain—sometimes by bringing in the deal an expert in a given industry or with wide-ranging business experience—is essential.

Largely for these reasons one leading venture capitalist singled out the Government's Business Start-up Scheme for criticism. This is the three-year experimental scheme whereby individuals can invest up to £20,000 a year in private companies not more than five years old and claim relief against personal income tax at their highest marginal rate. Amendments to the scheme doubled the annual limit from the original £10,000 and any unused relief in one year can now be rolled over to the next.

The criticism centres round the argument that individuals without detailed knowledge of how venture capital works do not have the experience to assess a project, structure a deal or establish the type of monitoring system or working relationship that is required to improve the odds of success to the point that should produce rewards commensurate with risk.

Certainly this proposition is given some support by the view of another venture capitalist on how a proposition should be handled. "There is as much to do in helping to make an investment work as there is in putting the money in," says Geoff Taylor. This means, for example, having a small group of people with a lot of experience in different industrial sectors to work with the investments—"an expensive overhead."

The "hands on" approach to venture capital investment is in fact growing apace—at such a pace, perhaps, that the recent claim by David Cooksey, managing director of Advent Technology, the £10m Edinburgh-based fund backed by 21 institutions, mostly British, may be overtaken by events.

Reporting that over £3m had been invested in 10 separate investments in the past 12 months, he said he believed the distinguishing factors of Advent were its commitment to high-technology companies, its selectivity (its investments followed a review of 500 companies), its active links with its investments and its management team comprising a blend of "proven entrepreneurial and financial ability."

While its concentration on high technology may certainly be a differentiating factor most institutions cast their nets wider. An exception may be Prutec, the venture capital arm of the Prudential Group, which has £20m of funding. Prutec, though, is heavily committed to pre-start-up financing, which means it seeks out, for example, likely university research projects and puts together a company to carry out further research and development with a view to subsequent manufacture and marketing of a new product or process.

On the other hand, the likes of Rainford, Venture Founders, TDC and the Thompson Clive Funds would say that their "hands on" approach is similar. Another, Alan Patric of Associates with its APA Venture Capital Fund, has just demonstrated its "hands on" approach with an investment in Varram, a Somerset-based concern which has developed the Motomop device for "sponging" water from cricket and football pitches, tennis courts, golfing greens and other sports surfaces. Here, a third party investor is involved having just given up the managing directorship of the Budget Rent-a-Car group for all operations outside the U.S.

Decision

The differences to be found among venture capitalistss lie largely in how they seek a return, which helps any entrepreneur to decide on which approach matches his own needs. Those who adopt the American style of purely equity capital investment would hope to realise at least a 20 to 30-fold gain within seven to ten years, though the level may vary according to the proportion of a company's equity being taken up and the amount involved.

Others which seek both capital gain and some income include not only Prutec and Thomson Clive, but also Murray Technology and Ivory and Sime and, on occasion, TDC. Most of the banks also have venture capital subsidiaries, though they seem in the main more interested in more mature situations such as a management buy-out where a business track record and proven management soften the risks.

Perhaps it is inevitable now that the venture capital industry has got itself established in the UK that it should already have started to look over its shoulder to see what dangers lurk behind either in the form of competition from new funding sources or new fashions or, indeed, from critics. This is why one is seeing the onset of the jitters about confidence in the industry. The time is approaching when failures will begin to emerge. Elsewhere in this survey, for example, the scale of initial failures resulting from the Government's Loan Guarantee Scheme and their implications are discussed.

Venture capitalists will be hoping that when it comes to their turn there will not be a repeat of the U.S. experience in the late 1960s and early 1970s when venture capital turned sour. For, as that eventually showed, those who kept their nerve (and that includes entrepreneurs as well as government and the financial community) won handsomely.

Nicholas Leslie

SMALL BUSINESS GUIDE: Major Venture Capital Sources

	SERVICES
Abingworth Tel: (01) 839 6745	Will invest £100,000 to £500,000 for equity (sometimes more) in mainly established companies, though occasionally start-ups. Has wide overseas contacts.
Advent Technology Tel: Edinburgh (031) 225 5784	Invests £100,000 to £500,000 (more with syndications) for equity in technology-based start-ups and established technology-based concerns.
APA Venture Capital Fund Tel: (01) 493 3633	Invests in equity of broad range of established or start-up situations, not necessarily technology-based.
British Technology Group Tel: (01) 828 3400 and (01) 730 9600	Provides equity (and occasionally loan) finance to manufacturing companies, including start-ups. No lower or upper limits.
Capital Partners Intl. Tel: (01) 584 7209	Invests £10,000 to £350,000 in equity (also interested in syndicated deals) of companies with potential for overseas expansion.
Mothercourt Securities Tel: (01) 831 8919	Invests £25,000 to £1.5m of equity funding (sometimes syndicated) in small UK private companies.
Tel: Edinburgh (031) Melville Street Investments 226 4071	Invests £50,000 to £500,000 (more if syndicated) in established companies.
Prutec Tel: (01) 491 7000	Invests in equity of established and start-up companies and pre-start-up situations. Always high technology concerns. No set lower or upper limits.
Rainford Venture Capital Tel: St. Helens (0744) 37227	Invests between £50,000 to £350,000 of equity funding in start-ups or young companies in the North-West. Occasional loan capital.
Scottish Offshore Investors Tel: Glasgow (041) 204 1321	Invests between £50,000 and £250,000 of mainly equity funding in companies oriented to energy services. Will also do loan capital.
Technical Development Capital Tel: (01) 928 7822	Invests £5,000 to £2m in equity of technology-based companies, or in fixed interest long-term loans or preference shares.
Thompson Clive Funds Tel: (01) 491 4809	Invests £20,000 to £300,000 of equity funding in private companies.
Venture Founders Capital Tel: Banbury (0295) 65881	Invests £50,000 to £350,000 of equity funding in small to medium-sized companies with good growth potential. Occasional loan capital.

In addition, there are five funds set up under the Business Start-Up Scheme: Electra Risk Capital (01-836 7766); Basildon Fund (0242-584380); Mercia Venture Capital (021-632 5928); Creative Capital Fund (031-226 4071); Northern Venture Capital Syndicate (031-557 3560).

David Freud outlines the benefits of leasing capital items

Leasing makes a lot of sense

FROM A standing start at the beginning of the 1970s, leasing has expanded at a headlong pace and it is now one of the most important elements for businessmen's consideration when a decision on financing has to be made.

Last year members of the Equipment Leasing Association, who probably command 90 per cent of the market, leased £2.1bn of assets in the UK, which represents about 10 per cent of total expenditure on capital items in the country.

The popularity of leasing in the UK has been based primarily on the tax system, which since 1972 has allowed buyers of most assets to claim 100 per cent relief in the year of purchase. Businesses such as banks, which would not normally buy anything like sufficient assets for their own use to match their profits, soon began to buy the assets and pass them over for the use of manufacturers through a leasing agreement.

In practice this meant that the investment incentive was shared, through the leasing rates, between the lessor, who was deferring his tax liability until he had to pay tax on his rental income, and the lessee for whom the rental would be much lower than the interest rate burden of buying outright without tax shelter of his own.

So leasing makes a lot of sense for a company, big or small, which does not have a taxable income big enough to cover the cost of a capital item. Another early advantage was that capital items could be purchased "off-balance-sheet." Neither the item, nor the associated contingent liability of paying rental, appears on the balance sheet, so a company can appear less geared than it might if the item was included.

But this benefit can no longer be counted on, since an exposure draft has been released by the accounting bodies which proposes that leased equipment is put back on to the balance sheet.

A final advantage, and one that still stands, is in terms of cash flow. Rather than raise the capital sum through borrowing at the outset, through leasing and hire purchase the user can make payments at regular intervals while the capital item produces income.

One special area for leasing is cars. Car leasing has had a chequered history. It took off in 1977, after rulings by the Special Commissioners for Taxation that cars could be treated in the same way as other equipment with looser credit controls. It peaked at £468m in 1979 before falling rapidly again as the Government removed over the 1979 and 1980 budgets the anomaly whereby a leased car enjoyed a 100 per cent first-year capital allowance and one bought outright only 25 per cent.

Close scrutiny

In the late 1970s leasing, because of its rapid growth, came under close scrutiny from the authorities. There were several changes in the 1979 Budget, restricting the people who could become lessor and lessee, and what could be leased. At the time it was assumed that having tidied up the industry the Government would allow it to proceed unimpeded.

It is becoming evident that official concern—especially in the Inland Revenue—is still strong, however. A series of new restrictions were introduced in this year's budget covering capital allowances for international leasing, overseas ship chartering and firms. On their own these could be dismissed as standard technicalities.

But Sir Geoffrey Howe also took the opportunity in his Budget speech of announcing that a study was to be launched on bank taxation. Since the main way that the banks minimise their tax bills is through leasing, anys teps to raise their liability to tax is likely to affect their attitude to the leasing market.

It is possible that they may end up reducing the funds they commit for leasing—which would tend to increase leasing rates.

So the message for the small businessman considering leasing a capital item is that he should not delay but move now before there is any risk of the present very low leasing rates rising.

Factoring turns book debts into cash

FACTORING IN the UK is used by companies of all shapes and sizes but the emphasis has always been (and still is) on the medium and smaller business.

Compared with most other financial services, factoring is fairly new. Imported from the U.S. at the beginning of the 1960s its most significant growth has taken place over the last 10 years during which time the total turnover factored by members of the Association of British Factors (ABF) has risen from £200m to just over £2bn. Altogether 2,647 client companies were served by the association in 1981.

The readiness of more small firms to take on factoring services lies less in the overall encouragement given to small business in the last decade and more to the greater professionalism and maturity of the factoring industry. The presence of Mr John MacGregor, the Government's small firms Minister at the recent association annual dinner and his enthusiasm for the work of factors generally, reflects the strides which have been made in the last few years.

Although the factoring industry probably did not grow in real terms in 1981, the bigger delays in the payment of money to smaller firms in both home and export markets has highlighted some of the advantages of factoring.

For although factoring involves other services too, its essence is the exchange of book debts for cash, thereby smoothing cash flow and increasing working capital.

Companies in the field offer three distinct services which, although often taken together, should be looked at individually.

Sales ledger service: accounting and collection. Factors will assume total responsibility for keeping the ledger, sending off statements and reminders and collecting money owed. Client companies simply send their invoices straight to the factoring company which from then on deals direct with its (the client's) customers. This service can be taken on its own (without finance) so that money from customers is passed on to the client when it is paid over. An efficient factoring company with advanced computer systems and trained credit control staff should be able to reduce the average payment period by client's customers.

Finance against invoices. Factors will generally pay from their own resources up to 80 per cent of an invoice immediately it reaches them from the client. This means immediate cash for companies which have sold goods or services on credit to other concerns. The well managed business will use these funds to its own advantage, for example by taking up discount offers from its own suppliers for early payment of its own debts.

Bad debt protection. This is otherwise known as non-recourse factoring. In the case of the non-recourse service the factoring company provides 100 per cent protection against bad debts on all approved sales. Recourse factoring is where the client bears the loss in the event of bad debt.

Two parts

The cost of factoring is divided into two parts. If finance is provided on immediate presentation of the invoice, interest is charged on a daily basis up to the moment the customer ultimately pays. The interest rate should be similar, perhaps fractionally more than that prevailing on a bank overdraft. In addition there is the factoring charge, which is a fee for the service element. This fee will be determined in each case by volume of sales factored, the markets in which the client operates (factoring companies, for example, steer clear of the building trade), the number of invoices and the number of client's customers. It can vary from anything between 0.75 per cent and 2.5 per cent of a client's turnover.

Factors are keen to emphasise that they are largely interested in profitable, expanding, businesses and that contrary to some ill informed opinion, they are not bad debt collection agencies or a last resort for a business on the verge of failure. A factoring company for obvious reasons will take a pretty careful look at a potential client's debtors before agreeing to take them on. The potential client, meanwhile, should weigh up the financial benefits against the costs — often factoring need only be a temporary phase while a company instals its own accounting systems and develops its own credit controls.

Factoring is still treated with suspicion in some quarters, partly because it is thought to be bad for customer relations. There are, of course, obvious dangers that feathers will be ruffled where a businesslike, perhaps even aggressive, factoring company charges in to demand a debt where previously its client had adopted a more gentlemanly and relaxed approach. Stories of threatening letters and abusive phone calls made by less scrupulous members of the factoring profession tend to crop up now and again but Mr Roger Pilcher, chairman of the ABF, maintains that formal complaints lodged against members of his association are nowadays very rare indeed. Potential factoring clients should make sure that they will always be told before final demands and solicitors letters are fired off to customers.

Besides the ABF, whose members are all part of large international banking and financial groups, including the big clearing banks, there is the smaller Association of Invoice Factors.

"We are orientated very much towards the small and medium sized business, with flexible criteria which will often enable our members to assist both young and well established businesses, both proprietorial and corporate, in circumstances where they may be unable to fulfil the criteria laid down by many of the larger institutionally owned finance houses," it says.

Member companies of the ABF are Alex Lawrie Factors, Independent Factors and International Factors (all part of the Lloyds and Scottish Group); Anglo Factoring Services, which is a subsidiary of J. Rothschild and Co; Arbuthnot Factors (owned by Arbuthnot Latham and Yorkshire Bank); Barclays Factoring (Barclays Bank); Credit Factoring International (National Westminster); Griffin Factors (Midland); and H and H Factors (owned by Walter E. Heller Overseas Corporation and Hambros Bank). Details can be obtained from the ABF secretary, Moor House, London Wall, London, EC2. Tel: 01-638 4090.

There are six mebers of the smaller Association of Invoice Factors (Jordan House, 47 Brunswick Place, London, N1 6EE).

Tim Dickson

Management buy-outs come of age

IN THE good old days of management buy-outs, according to Michael Cummings, managing director of Barclays Development Capital, "the fences were high and it needed star quality to get over the hurdles. But as the availability of finance has increased the height of the fences has dropped and made it easier for the rabbits to get over."

Such a racing analogy well reflects a fairly widespread feeling that, in what seems an incredibly short time, the management buy-out industry has grown and matured, attracting to it a wide spectrum of financing and an equal diversity of companies seeking it.

The management buy-out is a versatile tool. It provides the means by which the private company proprietor can retire and realise his investment. It is the route to independence for the heads of a division or subsidiary of a large group who wants to test their ambition to do their own thing while also having an equity stake in what they are doing.

Acceptable

It is the means by which the directors of a large corporate group can divest themselves of what may have become a peripheral activity in a manner which somehow seems to be more socially acceptable than selling it off to another, equally large and faceless group. It is even, in some instances, the route by which a company in receivership can be resurrected from the ashes.

The mechanics seem simple but the execution of the buy-out can be fraught with difficulties. Basically the management buy-out, or "leveraged" buy-out as it is sometimes known in the U.S. where such deals have been the fashion for several years, involves the management of a company putting up sufficient cash to acquire a significant minority, or majority, stake. The balance of the equity is purchased by a bank or similar financial institution.

The cost of equity will, though, be only a small portion of the total buy-out cost, the remainder being straight loan. Thus the ratio of debt to equity—gearing in the UK, "leverage" in the U.S.—in the deal is high. But while a five times gearing would be towards the upper limit contemplated in the UK, ten times gearing has been used in America. That, however, has been due largely to the American buy-out company being able both to buy back its own shares and to raise loans on the security of the company concerned.

The British Government has, however, introduced changes which allow companies to buy-back their shares and to secure loans on the assets of the company being acquired. Now pressure is on to alter the Finance Bill currently going through Parliament to allow gains realised by shareholders on the buy-back of shares by a company to be treated as a capital gain rather than income—thus reducing the tax liability.

Two or three years ago prices being paid in buy-outs sometimes represented fairly substantial discounts on the value of the assets being acquired. This was happening for a variety of reasons. Not least was that if it was a small subsidiary being brought from a large group because the parent company wished to get out of that particular business or needed to realise cash the economic climate was putting pressure on them to sell something as a going concern, even at a discount, rather than close the business down and create further unemployment.

Now, however, that is changing and, as Robert Smith, assistant general manager at the Industrial and Commercial Finance Corporation (ICFC), says: "There is no doubt that there is a hardening in the price of buy-outs." This, he adds, "is because a lot of institutional money has come into the market."

ICFC, the specialist medium- and long-term finance supplier to the smaller company and owned by the big banks and the Bank of England, is indisputably the most active institution in this area. Having put £15.5m into 69 such deals in 1980, its 1981 figure is likely to have exceeded 100 deals. A typical sized deal would be between £200,000 and £300,000 and involve a manufacturing company — "we are not too keen on service companies such as computer firms where all the experience it has is in people's heads."

Though there is no really typical company being sought by institutions financing buy-outs there are favoured parameters. A key point is that it should not require heavy investment in asset replacement since the major demand on its cash resources in the early years will be to fund debt repayments. Therefore a good cash flow is also preferred. It should have a good product, with experienced management and at least a reasonable track record. Asset backing is not vital, but as Andrew Davidson at County Bank comments: "If a company has no assets but an ability to earn it is attractive, but it starts at an enormous asset disadvantage."

If that conjures up a picture of a well-run company in a mature industry with products that have got an adequate life span but not a great deal following on it is very much what financing institutions like. It is easy to see why. They are committing themselves to, say, only seven-to-ten years with the company, perhaps less. They can see that the servicing of the debt is well within the capabilities of the company and so, to be somewhat cynical, it could be argued that they have no major interest in the company beyond the period of the repayment of buy-out finance. They therefore do not need to run any risk with a company that may be heavily burdened with a research and development budget or need major manufacturing and marketing expenditure to move into new market areas. It is certainly a scenario for a number of buy-outs seen in the American market.

However, that is not to say that backing would not be forthcoming if a company wished to exploit a new product or process but it may well require an injection of further cash that would necessitate a rescheduling of the original buy-out finance since gearing is generally related to the speed at which loans can be repaid—that is, the quicker the repayment the higher the gearing.

Noticeable

A noticeable feature of current demands, according to Michael Cummings, is the number of propositions that are being presented at the instigation of the top management of large groups anxious to sell off a subsidiary. This is perhaps the reverse of some expectations a year or two back when it was believed that if buy-outs become widely acknowledged as a means of giving unwanted or forgotten offshoots of a group of companies a new lease on life it would be the subsidiary managements who would be coming forward with propositions. This does mean that the institutions providing the funds feel they must assess even more closely than they might otherwise have done the calibre of the management if the initiative for a deal had not come from them and their willingness to gain their independence were questionable.

While buy-outs have become synonymous with high gearing, David Wills at the Charterhouse Group believes that it does not necessarily have to be so. He says that Charterhouse looks for what it feels are good businesses for which it is prepared to pay a premium. If this means the management cannot afford other than a very small slice of the equity, with Charterhouse retaining control either on its own or within a syndicate, terms can be arranged whereby key management can realise very big gains by meeting or exceeding laid-down performance targets.

Such is the arrangement with Coloroll, the wallpaper group, where Charterhouse led a syndicate of buyers for 90 per cent of the equity at a cost of £18m. There the management other than the family selling control already had a small equity stake; but under the recent deal they have a special class of share which increases in value faster than the remaining equity provided that the performance targets are met.

Nicholas Leslie

TOP AWARD FOR SMALL COMPANY

A SMALL Hampshire company, Parker Bath Developments, is winning export orders after being awarded the Prince of Wales Award for Industrial Innovation and Production. The competition was held in conjunction with BBC TV's "Tommorrow's World" programme.

The designer of the Parker Bath (intended specially for elderly or disabled people) is Mr Roy Parker, seen here with his staff at the Stem Lane Industrial Estate at New Milton. A further prize of £10,000 was presented to Mr Parker on behalf of the National Research and Development Corporation.

The Parker bath was one of nine finalists selected from more than 800 entries in this year's competition.

Commenting on the problems of small businesses, Mr Parker says that "funds can be raised for the development and manufacture of a product — but it is practically impossible to raise sufficient funds to market the product successfully. We have succeeded . . . but it was tough."

PROFILE: BERKSHIRE HOSIERY (UK)

Classic deal with Merchant bank

BERKSHIRE HOSIERY (UK) is one of an increasing number of companies which are being given equity and other financial support by a UK merchant bank.

Bought out by its management in March this year, Berkshire, which was set up as a joint venture in 1947 but which latterly had been part of the giant V.F. Corporation of the U.S., manufactures and sells women's hosiery and men's socks (under the Blaxnit name) primarily to the UK market. Its only factory and headquarters are at Newtownards in Northern Ireland, where some 380 people are employed.

Berkshire is a classic management buy-out. V.F., which controls Lee Jeans and the Vanity Fair brand of lingerie in the U.S., had decided that the hosiery subsidiary in the UK fell outside its main activities. Despite the impact of the recession—which was responsible for the first loss in 30 years during 1981 — Berkshire's management was sufficiently confident of the efficiency of their plant and the quality of their merchandise to make a bid for the assets.

Five men were responsible, including Mr Eric Lowry, who was in charge of finance and administration of the whole of the V.F. Corporation (UK) and Mr Reg Lawrie, managing director of the Hosiery Division (now Berkshire).

The managers' first approach was to the Northern Ireland Development Agency (NIDA) and the Northern Ireland Department of Commerce (DoC), respectively the Government agency and Department responsible for industrial development in the Province. (The two are now being merged).

Contact with County Bank, which is the merchant banking arm of the National Westminster Bank, came through NIDA. (NIDA and County were involved jointly in raising funds for Sperrin Textiles, another management buy-out in Northern Ireland in the textile business which was widely publicised last year).

"The Berkshire deal came together after a round table meeting with the DoC, NIDA and the Ulster Investment Bank, also a NatWest subsidiary, which had agreed to finance our working capital," recalls Mr Lowry. "County Bank came in immediately after that when NIDA indicated that we needed more equity and that they could not come up with everything we required."

County Bank then sent in a two-man investigating team from accountants Arthur Young McClelland Moores to go through Berkshire's historical financial information and run their slide rules over the profit projections.

Lowry said that the management team also had tentative discussions with the Industrial and Commercial Finance Corporation's Glasgow office but they were impressed by County Bank's "very positive" approach.

Under the deal County Bank has taken a 20 per cent stake. NIDA has subscribed for just under a third of the equity on a "buy back" basis (the management can purchase these shares if they wish over a period of five years at pre-determined prices), and the managers are left with the balance (roughly 47 per cent).

Conditions

Like most financial institutions in this position County Bank has attached conditions to the equity. There is £30,000 of convertible shares with a guaranteed dividend twice a year (the managers' is not guaranteed); in addition County has subscribed £100,000 of the £300,000 redeemable preference shares, which also carry two annual dividend payments. Finally there is a long-term loan of £119,000.

Commenting on the deal Mr Paul Buchanan-Barrow, assistant director at County Bank, points out that besides the recent losses at Berkshire, both Sperrin and Berkshire are in the "not noticeably popular" textiles sector and both are based in Northern Ireland "with all its problems."

"I believe it becomes easier for us to refute the suggestion that financial institutions are not prepared to take risks," he says.

Since the buy-out Berkshire has introduced a new range in ladies hosiery and a new range of packaging as well as trying to develop a new image. Although the company hopes to get back into profit this year, its markets are still fiercely competitive and it will be no easy task to regain its former prosperity.

Tim Dickson

The problems of small businesses vary little around the world. The recession is leading to more bankruptcies and Governments are trying to keep the spirit of entrepreneurship and technological development alive.

Bankruptcies are 'threatening the sector's survival'

United States

SMALL businesses are under pressure in the U.S. Between 1967 and 1977 their share of GNP eased from 42 per cent to an estimated 38 per cent, with declines registered in just about every category of industry. Since 1977 the difficult economic environment has probably aggravated the trend.

Recessions are especially damaging to small companies, because of their relatively frail financial base and also because of the kind of businesses in which they tend to concentrate.

A recent analysis prepared for the Small Business Administration (SBA) showed that the three types of U.S. business most sensitive to economic cycles were those engaged in manufacturing, wholesale trade and contract construction. Two of these—wholesale trade and construction—are dominated by small concerns.

A recent report from President Reagan on the state of small business concluded gloomily that "the future survival of the smallest businesses in this country, those with less than 20 employees, has come to be less certain.

"The number of small establishments in retail trade and manufacturing has declined due to the larger scale of output needed for successful competition, and the numerous regulations and taxes imposed on small firms."

This trend is most unwelcome to an Administration which is committed to restoring the health of the company sector. President Reagan wrote in March that "for me, small buiness is the heart and soul of our free enterprise system."

All this is not just political theory. Small concerns are labour-intensive and need cherishing at a time when unemployment is at its worst for 40 years. More than 86 per cent of new jobs were provided by companies employing fewer than 500 people between 1969 and 1976.

Innovators

Recent research also indicates that small companies are two to three times as innovative per employee as their bigger rivals; and although they usually have fewer assets per worker than big companies their sales per dollar of assets are higher in most sectors. In other words they make their capital sweat.

But the Reagan Administration is also committed to reducing the role of government in the U.S. economy, which strictly limits the scope for political intervention to bolster the fortunes of small companies. Reaonably enough, the Government argue that this sector of the economy will benefit at least as much as any other from the successful implementation of the economic recovery programme. A healthy business climate would be worth a lot more than any amount of Federal grants.

Even so, small firms are still getting substantial financial support through the SBA. Indeed, there have been complaints that some of its programmes have been wildly indiscriminate. A recent exposé in the Wall Street Journal revealed that SBA money had been advanced to, among others, the owners of a Times Square pornography palace in New York and of a homosexual "Turkish bath" chain in Milwaukee.

But Federal dollars are getting harder to get. Credit assistance to small business has not grown nearly as much as transport and military credit assistance programmes since the mid-1970s. Indeed, the main lending schemes of the SBA have extended about the same amount of money in the same number of loans in each of the past five years.

It now seems probable that the amount of money available will be reduced next year as the Government struggles to control its budget deficits. In response, the emphasis of SBA lending is being switched away from direct loans to the provision of guarantees for bank loans. Under this scheme, the SBA will guarantee up to 90 per cent of an approved bank loan to a maximum of $350,000.

Rationalising the inevitable, the SBA is also putting more weight on management training. It argues that bad management causes more small companies to fail than does a shortage of credit, and it is putting in place schemes whereby, for example, Certified Public Accountants will provide free advisory services to small concerns.

The squeeze on Government funds has been partly offset by a period of explosive growth in the U.S. venture capital industry. After remaining static from 1969 to 1978 at between $2.5bn and $3bn, the total venture capital pool had expanded to an estimated $5bn by the end of last year.

But this kind of finance is by its nature available only to certain types of business. Much the biggest single complaint from small companies at present is about the cost of capital in general and the service provided by the banks in particular.

Small companies usually pay two or three points more for their money than big borrowers and are also hit more painfully by the increase in fees which a number of leading banks have imposed in recent years.

There have also been reports that some banks are deliberately discriminating against small companies on the grounds that their accounts are almost as expensive to service as the big ones—and a lot less profitable.

Again, this problem would largely disappear if the U.S. economy could be put back on a sounder footing. But with bankruptcies running at the highest level in living memory the bankers are not winning any popularity polls these days.

Richard Lambert

Terry Kirk

Amsterdam is the main centre for the international diamond industry in which there are many specialised small businesses involving skilled jobs. Here, a polished stone is being examined

Government's intentions distrusted

France

FRANCE'S one-year-old Socialist Government came into office full of good intentions towards the country's small and medium size companies. But it has not succeeded so far in winning their confidence. Small companies tend to regard the left as anti-business, and many of the Government's early decisions were too costly to industry to reverse this prejudice.

This distrust underlines a central dilemma for the present administration. Perhaps even more than its predecessor, the Socialist Government is deeply committed to a policy of industrial development. It believes that none of its other policies — for employment, improved social services, higher minimum wages — can be achieved without a buoyant manufacturing sector. Yet its growth policies depend to a large extent on small companies over which it has little power or influence.

The Government hopes that this weakness will be partly answered by the nationalisation programme. The investment effort of the big groups should provide orders and pull the small and medium size companies — the PMEs — along in their wake. In these conditions, small companies, as one minister put it, "are condemned to succeed."

At the same time, the Government has tried to win favour with the PMEs by developing the aid schemes through which subsidies and cheap finance are funnelled into industry. Over the past 12 months, the funds distributed to small companies have increased considerably. These schemes include:

- Cheap credits of about FFr 10bn ($1.5bn) distributed by the Government-backed Caisse d'Equipement des PME (CEPME), a kind of soft loan bank for small companies. Finance ranges from a super-subsidised rate of 13.5 per cent for energy saving, exports and job creating projects, to around market rates of 16 to 17 per cent for other programmes.
- Advances of "prets participatif," a kind of semi-equity funding, which is being expanded from FFr 2bn to FFr 3bn especially to help small businesses. While these funds are loans, they carry interest payments on a sliding scale, related to profits on a project, and can be converted into equity. They give family companies access to cheap funds without bringing in outside shareholders.
- Funds to ANVAR, the state industrial innovation body, have been more than doubled to FFr 720m. This finance is meant to help industrialists develop an idea from the drawing board to the production line. In addition, the Government is giving additional aid for research workers attached to small companies.
- Further, more generalised aid is planned by making the big nationalised companies more sensitive to the needs of the PMEs. In particular, they are being asked to speed up their payment periods to sub-contractors, often stretched out to 120 days. The Government says they should aim for target payments of between 60 and 90 days.

Virtually everything the authorities have offered in the way of improved finance has been snapped up by the small companies. The PMEs have also, like everyone else in France, had the opportunity to operate in one of the few expanding economies in the West over the last year. But still the criticisms have rained in on the Government.

The roots of this dissatisfaction lie in some of the central elements of the Socialist industrial programme. Nationalisation, for example, is reckoned to give big companies too much power, with the added danger that many nationalised groups may pull in work formerly done by sub-contractors.

Secondly, the small patrons are extremely suspicious of the extra costs involved in the move towards the 35-hour working week. The new legislated level of 39 hours (down from 40 hours) has led to innumerable conflicts in industry this year. In February the Labour Ministry had about 650 disputes on its hands.

The Government has caused equal alarm with its policy of extending trade union rights. Small businessmen in France probably have more power to manage without interference than any others in industrialised Western Europe. These powers are now being trimmed by legislation which is aimed at more shop-floor consultation.

Argument

Finally, the wealth tax measures announced last year have led to a howl of protest from small businessmen who claim it will undermine their ability to keep their companies together and invest. They argue that they will be taxed to some extent on the fixed capital they have built up, and which they regard as a working tool rather than disposable wealth.

Steadily, over the past few months, the Government has begun to adapt its policies to respond to these criticisms. In April it announced measures to cut local rates this year and next by about 10 per cent, while freezing industry's social security charges, and halting working-hour reductions until the end of next year.

It has since changed personal tax arrangements for small businessmen to give them similar allowances to those enjoyed by salaried managers, while allowing wives to work more profitably. The more recent austerity measures to accompany devaluation should also check the spiralling increase in overheads, although the freeze on prices has not been welcomed.

All of these moves indicate that the Government has to some extent accepted the PME's view that the most important issue for a small businessman is his ability to earn profits. The PMEs argue that if they have the right market conditions to work in, they will invest and expand.

For the Government, there is, of course, no guarantee that the strategy will work. No figures or firm commitments have been attached to the various forms of fiscal relief.

But if the Government's overall industrial policy is to bear fruit, there is no doubt that it needs to succeed with the PMEs. Small companies of between 10 and 499 workers account for about 37 per cent of industrial production, 25 per cent of exports, and employ 2.6m workers—about 45 per cent of industrial employment.

The latest figures also show that the small company sector is a net creator of jobs, not only in services, but also in manufacturing industry. Unless these companies are given a fresh lease of life and confidence, the Socialist gamble on containing the unemployment explosion could easily be lost.

Terry Dodsworth

At least 10,000 corporate failures predicted for this year

W.Germany

LAST MONTH the West Germany city of Nuremberg, was the scene of an unusual demonstration.

The event — described by one local newspaper as the first "company-demo" in the Federal Republic's history—brought owners of medium-sized and small companies in the area on to the streets to protest about high taxes and the way the Bonn Government was wasting its tax income.

The march was just one sign of how much under pressure the small and medium sized business sector in Germany feels, but it is not the only one. The domestic recession and the high interest rates of the past two years pushed a post-war record of 8,500 firms, most of them small and medium companies, into bankruptcy last year.

This year the bankruptcy wave threatens to be even worse. In the first four months corporate failures rose 40 per cent and predictions for the year are for a minimum of 10,000 failures.

Such forecasts assume a pick-up in business in the second half of the year, though it shows no sign yet of materialising.

Concern about the small business sector in Germany has increased not only because of the bankruptcy wave and because it is estimated that around 300,000 workers lost their jobs last year through corporate failures, but because the medium-sized company, or the "Mittelstand" sector, is the core of the West German economy.

Key role

On the German stock exchanges there are only about 425 publicly-quoted firms, most of them very large. Most of the German corporate sector is thus private industry, the owners and the managers being the same people. Within this group the small and medium-sized concern plays a dominant role.

A recent study by the Institute for Research into Small Businesses concluded that—according to the definition of small businesses as companies with up to 499 employees or DM 100m in sales—the sector accounted for 41 per cent of capital investment in Germany, 64 per cent of employment outside the self-employed sector, and 48 per cent of Gross Domestic Product.

Government policies have long recognised the importance of this sector of the economy to the strength of German industry and special programmes to support the "Mittelstand" abound. One of the most prominent is the provision of credit through the Kreditanstalt für Wiederaufbau (KfW), the development bank through which "Marshall Aid" was administered in Germany.

Last year, for example, the KfW—partly through drawings on a special Government credit programme announced early in the year as interest rates soared—approved subsidised finance for the medium and small company sector of DM 5.2bn, a sum which, alongside the contribution from other sources, is estimated to have stimulated investment of DM 13bn.

What is particularly significant, however, is the growing role of the KfW in helping to finance small businesses. Indeed, in the past decade it has increasingly been taking on the character of a Government-backed development bank for small business. In 1975 its involvement in funding for small business was only DM 2bn.

Revolutionary

The KfW is not the only agency seeking to direct support directly to the small business sector, however. The Ministry of Research and Technology has also sought to promote innovation among smaller business, and there are Government backed consultancy and training programmes for small businessmen.

Some of the more active Chambers of Commerce also focus their activities on the small business sectors. In some areas there are special departments which seek to facilitate mergers among small businesses, recognising that owner-managers sometimes need help in selling out of their businesses, when, for example, they are aging and have no family members ready or willing to take on the business.

While much has been done to promote this sector, many small businessmen complain that some of their problems today can also be traced back to Government policy. Small businessmen complain that the burden of social security payments, and the strengthening of the social security network through laws governing the terms on which employees can be laid off, have added to the costs and reduced the flexibility of the corporate sector.

Prospects

Some of these problems would be less burdensome were it not for the change in the economic climate. Through the 1960s and most of the 1970s small and medium-sized companies were operating in a booming, inflation-free economy, and even when business slowed down they could look forward reasonably confidently to the next cyclical upswing.

High profits and this confidence in the future enabled them to operate on a low equity base. Today, however, the outlook is much less encouraging. Companies are having to cope not only with recession but also with the prospect of a longish period of slow growth or stagnation and still high interest rates.

In some sectors they also face the challenge of technological change. Electronics is the most obvious case in point, a challenge which is particularly daunting for small concerns which must husband their resources carefully.

These factors help to explain the concern about the health of the small business sector in spite of the official efforts to support it that have long been a feature of West German economic policy.

Stewart Fleming

Pottery production at Chinhat, Uttar Pradesh, an example of the rural craft industries encouraged by Indian Government agencies as part of a widespread drive to boost small businesses *Trevor Humphries*

Special role in industrial policy

India

IN INDIA the Government has given small businesses the job of gradually assembling nearly half the country's target output of 10m wrist watches.

They also assemble about 75 per cent of the black and white television sets (colour will be introduced later this year) and just over half the tape recorders.

Under the current Government's policies, they are encouraged in this way to develop as subcontractors for bigger businesses instead of merely being self-contained entities.

There are about 850 items officially reserved for exclusive development in the small sector (although bigger producers are allowed to continue existing businesses and often expand their output despite the regulations). These items range from ice-cream, vinegar and plastic buttons, to television games, electric toasters, and small diesel engines.

There are also 400 items which government agencies have to purchase from small scale businesses, plus two more batches totalling 20 or 30 items where the Government has to purchase 50 to 75 per cent of its requirements from the small businesses. In all cases small businesses have a 15 per cent price advantage over competitors.

Coupled with financial concessions and other aid and practical services provided by government agencies, these arrangements illustrate how a country which believes in a centrally planned economy can develop special policies that would not be so acceptable elsewhere.

Small businesses—known as the small-scale sector—have played an important part in India's policies since independence. This is partly because they provide a relatively inexpensive way of bringing industrialisation and employment to rural areas and partly because it is thought that they can act as a catalyst for modernising industry.

But there is also another significant reason for their importance in a country with basically Socialist beliefs and a dominant industrial and commercial public sector. It is that they enable private sector developments to take place which does not necessarily increase the power of major companies.

The Government's Small Industries Development Organisation (SIDO) says that over 400,000 small businesses have registered with it but acknowledges that at least a further 400,000 remain unregistered—indicating a national total approaching 1m.

Exports

The 400,000 account for nearly 30 per cent of industrial production and employ 6.5m people, providing over 16 per cent of India's exports.

Small-scale units are classified as businesses in manufacturing and repair industries, with investments in plant and machinery of up to about £120,000—which can involve up to 300 employees or more. There is a subsidiary group of ancillary industries covering subcontractors and component suppliers with investments of up to £140,000. These groups include village and craft industries, but there is a smaller size called "tiny units" which cover smaller crafts, with plant and machinery not exceeding £12,000.

Many of these businesses will not be dealing in industrial goods but in traditional crafts, ranging from clothing to woodwork and pottery, which can thrive in India.

The failure rate is high and the Government acknowledges that it has an unsolved problem with what it calls its "sick" businesses. Mr Naravian Tiwari, the Industry Minister, said recently that the Government was trying to help with financial aid but added that "inefficient and dishonest management" was also partly to blame.

The Reserve Bank has estimated that about 21,000 small-scale units were "sick" at the end of December 1979. It blamed mismanagement and marketing problems as well as India's general shortages of power and raw materials.

The previous Government—the Janata administration which held power from 1977 to 1980 — placed too much emphasis on the potential of small businesses to operate on their own. It rapidly increased the number of reserved production items and forced output before markets were ready.

The present administration explained its subcontracting plans in an industrial policy statement of 1980, which promoted the "concept of economic federalism with the setting of a few nucleus plants in each district identified as industrially backward to generate as many ancillary and small cottage units as possible."

Echoing practices in Japan, the Government hopes that this will give large companies the flexibility to react to demand because they can use labour-intensive small businesses instead of themselves laying down larger and more capital-intensive plants.

General help is provided for basically under-developed backward businesses through 400 district industrial centres scattered around the country. Some £3.5m is being spent on basic engineering machine tool rooms, which provide services at a discounted rate.

A network of product testing centres is also being established in an attempt to improve the quality of goods produced by the small businesses.

Financial help has increased in recent years because financial institutions have been nationalised. Subsidised bank loans, reducing interest rates from about 19½ per cent to 12½ per cent, are provided plus further subsidies in more remote "backward" rural area. Very small units receive loans without security and there are also extra grants from state Governments as well as subsidised property.

Priority

In some cases, where raw materials are in short supply, small businesses receive priority, though little can be done to shield them from the problems of electricity power shortages, which lead to cuts of up to 50 per cent in some areas at this time of year, as well as total blackouts.

To help people to start businesses, SIDO has produced a three-volume publication of Project Profiles which cover all the 650 reserved production items and which provide standard business assessments guides to matters such as investment and manning for given output levels, machinery costs, profit and loss assessments and overall investments.

Other countries have asked SIDO for advice on the contents of these profiles and have considered copying them to improve the management of their own businesses—a small illustration of how the problems of small companies vary little around the world.

John Elliott

Cash crisis takes heavy toll

SMALL and medium-sized businesses in Canada, spurred on and subsidised by Federal and Provincial Government for the past 20 years, is now being squeezed inexorably by the worst liquidity crisis to hit the private sector in 40 years.

The Canadian economy is in deepening recession and three consecutive quarters have shown large declines. In real output, while Governments have for long assumed that employment growth comes mainly from small and medium-sized enterprises and their development, these same companies have been forced to lay off thousands in the past nine months and in many cases they are being carried by the banks.

The world recession suddenly hit Canada last summer just as interest rates soared and demand was choked off. The impact was first felt in housing and commercial construction, the basic market for thousands of small companies across the country. Rapidly the slump spread to the car and components industries, the latter comprising many small businesses.

Southern Ontario, Canada's most stable and diversified region industrially, took the brunt. Before the year-end, almost all the resource and manufacturing industries from Newfoundland to British Columbia were in the grip of recession.

Prime rate at the banks was down from the peak of more than 22 per cent touched in late summer, but, still at a crippling 18 to 19 per cent, it has not gone much below that since. The Government, despite warnings from the big banks, of a serious business liquidity crisis has insisted that the only way to head off Canada's double-digit inflation is to use the interest-rate weapon.

The Bank of Montreal has estimated that, in general, about 60 per cent of business cash-flow is now being absorbed by debt coverage, and the situation is not getting any better. Thousands of small- and medium-sized businesses, and several major companies, are close to bankruptcy, and there is little sign that interest-rate relief or stronger demand will appear before the spring of 1983.

Plethora

The small and medium-sized business sector has been nourished carefully by a plethora of Federal direct-aid programmes, special low rates of corporate tax on the first C$400,000 of profits, direct subsidies for new product development and export efforts, and low-cost financing programmes such as the small business bond programme operated through the banks.

Such Federal measures have been augmented by similar aid from the provincial governments, particularly in the richer provinces such as Alberta, Ontario and Quebec. Some spectacular successes have been claimed, in some cases where private venture capital has been contributed.

But scant attention has been paid by either level of Canadian government to the problem of economic efficiency and the development of larger productive units. Other Government policies, such as the Foreign Investment Review Act and Social Employment measures, have often militated against the development of small businesses able to withstand the buffeting of a serious recession.

The Federal Government itself has based its own financial and industrial policies on the oil and gas industries, but these industries have themselves been in distress for the past year because of the National Energy Program and constant arguments with the provinces about oil pricing and jurisdictional issues.

Ottawa had promised a small business financing review as a basis for new policies, but when it appeared this spring it proved to be a body of new studies of small business problems. This will have to be reviewed by a special committee before any policy can be made and it will take a full year.

The Canadian Organisation of Small Businesses, based in Toronto welcomed the detailed analysis but complained that "they haven't been carried through to recommendations." Meanwhile, thousands of small businesses are near breaking point while large companies and the banks are being forced to do all they can to carry them.

Several provinces are now coming out with special direct aid programmes, but these are not extensive and are very late. In the past year both Federal and Provincial Governments have been channelling funds towards high-technology areas, particularly small computers, specialised products for the steel and energy industries, pharmaceuticals, electronic office equipment and other growth areas.

The Canada Development Corporation has taken over the Savin Corporation of the U.S. and put it into its own office equipment maker AES Data.

Because of the recession and its impact on the economy, small and medium-sized businesses generally are going through the worst shakeout since the war ended in 1945.

Robert Gibbens

Rescue work by banks as bankruptcies multiply

BANKRUPTCIES have taken a cruel toll of small companies in the Netherlands over the past 12 months—putting not only the weakest and least well-run enterprises to the wall but also some of those whose only fault was insufficient capital.

The potential result, as the Government and the banks are constantly being reminded by the main employers' federation (VNO), is that innovation is discouraged and potentially large companies are being strangled at birth.

Last year the total number of bankruptcies among business employing fewer than 100 workers rose to 6,865, a 40 per cent increase on 1980. This year the position is even worse. Forced closures from January to May were 25 per cent up on the same period last year.

Even so, most small and medium-sized companies remain in business, and now there is help at hand which was conspicuously absent 12 months ago. It has been recognised by the Government, the banks and the insurance companies that small ventures are often the engines of growth and make up the largest and most flexible area of industry.

Source

In the Netherlands, 73.3 per cent of all registered companies employ fewer than five workers while the number of companies employing more than 100 makes up less than 1 per cent of the total. Naturally, among that 1 per cent are such giants as Royal Dutch/Shell, Philips, Akzo, Unilever and Estel. Even so the minor enterprises still employ some 3,363,000 workers out of a total labour force of 4.8m, making them by far the biggest source of work.

Aware of this and aware, too, of their vulnerability, the big Dutch banks last year ventured full-scale into small business investment corporations. A pioneer was the Nederlandsche Middenstandsbank (NMB), but Amsterdam Rotterdam Bank (AMRO) soon followed and now there are 18.

The investment corporations (PPMs) have taken advantage of new regulations on venture capital enacted by Parliament at The Hague last spring. Rules were relaxed, limiting the equity stake that banks could take in non-banking companies; and under the latest arrangement they may hold up to 49 per cent of the equity of a business—instead of 5 per cent—to a maximum investment value of Fl 2.5m.

Holdings under the regulations are limited to five years, and it is understood that a bank cannot commit more than a few percentage points of its own capital.

Insurance companies are also involved in this development, the intention of which is to help small businesses that could not otherwise grow to finance their ideas. Shares are brought, up to the 49 per cent ceiling, and are held until there are clear signs of prosperity. At that point they are sold, hopefully at a profit. If the ventures fail, half the cost is borne by the corporation and the rest by the Government.

At first several of the big banks were suspicious of the idea, complaining that the tax treatment of shareholdings was punitive. But now, following NMB's lead, they see technical development credit as a growth area and appear genuinely concerned to see that small businessmen—as future customers—are given the protection they require at a time of recession.

Another area in which the banks are involved is small business centres, based on those first established in the U.S. Control Data of America and Amro have been looking into the possibility of such centres in Holland, and there are plans to construct the first at Enschede, in the eastern Netherlands.

The idea of Business and Technology Centres (BTCs) is the joint provision of research and development facilities normally available to large companies. Employing as many as 35 experts and administrators, each centre will seek to offer a new kind of location with built-in scientific facilities.

Under the proposal each will be designed and located to meet the needs of local businesses as well as the community itself, and the tenants' needs are supposed to influence the design and scope of each centre.

A joint reception area, telephone service and secretarial assistance would be provided, along with an information centre, data banks, laboratories and advice on marketing, financing, accounting, cash management and the law.

In Holland, Control Data and Amro expects to find clients for the centres among existing small enterprises, those that are exploring the possibility of going into business and those from outside the area who want advanced local facilities. Not all would have to be housed within the centre.

The Enschede project should begin operation this year, with space for up to 50 companies and the active support of the Provincial Development Corporation of Overijssel. Another is planned for Rotterdam, with the aid of the City Council.

For its part the Netherlands Government is continuing to fund each of the main industrial sectors, encouraging the banks and the insurance groups to step up investment and stepping in on occasions to help to bear losses. The main employers' federation still feels that the Government is not doing enough, but the present Government, a minority, interim administration led by Mr Dries Van Agt, is intent on cutting back Government spending and remains cautious about spreading its largesse.

Assistance

Since 1978 it has given considerable assistance to export-oriented small companies. It subsidises joint export initiatives, providing up to 40 per cent of the costs of trips abroad, market research, trade fairs and overseas administration. At least four companies have to be involved and they must prepare detailed export plans for countries outside the EEC. More than 200 company groups have been formed in the four years since 1978 and the Economics Ministry says it is amazed by the scheme's success.

The Government also assists larger groups of companies with export management but was prevented by the European Commission's Competition Department from refunding 50 per cent of the cost of hiring outside export managers for each group.

Times are difficult for small businesses in the Netherlands and are likely to remain so throughout the next year. The Economics Ministry insists, however, that the distinction between successes and failure depends more often on the sector involved than the scale of the enterprise and considers that, with the aid of the banks, new entrepreneurs can still pull through.

Walter Ellis

Considerable financial help and managerial advice is available from government and other agencies. Some rationalisation may one day be necessary, but for now the expansion continues in the public and private sectors

Two services await outcome of experimental merger

ADVICE for small firms, it sometimes seems, is available on almost every street corner in the UK. Not all of it, however, could be regarded as either high quality or impartial.

The two most important and best known public sector agencies offering help in this respect are the Department of Industry Small Firms Service and the professional consultancy and advisory services of the Council for Small Industries in Rural Areas (CoSIRA).

Reports on the usefulness of the two agencies inevitably vary according to the experiences of different "clients." There is nevertheless general feeling that standards in both camps have improved with experience as demand from small firms and budding entrepreneurs has increased in the last couple of years.

There has also been some concern that the advisory functions of the DOI and CoSIRA may overlap. This resulted last year in a certain amount of pressure from Tory backbenchers and others eager to merge the two services and save public money.

Three areas

In spite of an official report in which this was one option put forward, the Government decided in the end that from last October an experimental merger should take place in just three specific areas.

The venues chosen were Cumbria, Northampton and Somerset (including Bristol and parts of Avon).

Although it is too early to say what the outcome will be—that will be a political decision based on findings once the experiment has run its full course—the signs at this stage suggest that there will probably be a separate future for the two services.

The DOI's Small Firms centres are staffed by retired businessmen who have enjoyed success in their own careers and wish (on a part time basis) to pass on the benefits of their experience to others. Their salaries and expenses are generally fairly modest but their contribution is to give a fairly quick commercial view on a project and deal with general management and financial difficulties.

The first session (this can be anything between 1½-hours and a whole day) comes free, though a charge of £15 (shortly to be raised to £20) is made for subsequent sessions.

Wide range of services available

CoSIRA, meanwhile, is an agency of the Development Commission charged with improving the prosperity of small businesses in the countryside—particularly in specified rural areas where population is declining. Besides advice, CoSIRA provides local information, training services and finance.

In contrast to the DOI Small Firms Service, the advisory function of CoSIRA is handled by professional consultants. They are put in touch with inquirers via full time CoSIRA officials known as organisers.

The idea of the merger in Cumbria, Northampton and Somerset is that when a prospective customer comes onto the phone either at the DOI centre or at the CoSIRA office, staff will decide which of the two services is likely best to suit the individual.

Only 23 cases, however, were transferred in the six months to this March out of a total of 600—this includes transfers in both directions.

Takeover threat

At this stage it is only possible to speculate why this should be It may be that given their different styles and CoSIRA's particular knowledge and expertise in the rural areas, there is a market for the two services to operate and continue to develop separately. It is also known by some government observers that CoSIRA staff feel threatened by a potential DOI takeover and may not wish to risk giving ammunition to those who think that is a good idea.

There are eight DOI Small Firms Centres in England, one in Scotland and one in Wales. To contact your nearest office telephone Freefone 2444.

There are 29 CoSIRA county offices. The headquarters is at 141 Castle Street, Salisbury, Wiltshire SP1 3TP. Tel: 0711-6255.

Manufacturing firms which wish to get assistance with a technical problem can get free help either from the Manufacturing Advisory Service (MAS) or the new Small Firms Technical Enquiry Service (SFTES). Both are operated by the Production Engineering Research Association (PERA) at Melton Mowbray. Tel: 0644-64133.

Tim Dickson

SMALL BUSINESS GUIDE: Major Government Agencies

ORGANISATION	SERVICES
British Overseas Trade Board Tel: 01-248 5757	Various services including Market Entry Guarantee Scheme covering half export costs of £20,000-£150,000.
BSC (Industry) Tel: 01-686 0366	Feasibility study grants, unsecured loans and equipment leasing, plus advice, in steel closure areas.
British Technology Group Tel: 01-828 3400	Loans up to £50,000 and high technology finance packages. Regional funds in south west (with Dartington) and north-west. U.S.-linked electronics fund.
Co-operative Development Agency Tel: 01-211 4633	Advice and promotion for worker co-operatives.
Council for Small Industries in Rural Areas Tel: (Salisbury) 0722 6255	£250-£50,000 buildings, equipment and working capital loans. Advice, counselling and premises.
Department of Industry Tel: Dial 100 for Freefone 2444	Small firms information and counselling services in 60 locations. Aid schemes for technology, bank guarantees.
English Industrial Estates Tel: (Gateshead) 0632 878941	Sale or lease of premises from 500 sq ft.
European Communities Commission Tel: 01-727 8090	Regional development grants from £6,000. Euro Coal and Steel Community loans for job creation, housing, training and research.
European Investment Bank Tel: 01-222 2933	£15,000 to £2.5m loans via Industry Department, Scottish, Welsh, Northern Ireland Offices, Midland Bank, and ICFC.
Manpower Services Commission Tel: (Sheffield) 0742 753275	Various schemes including Enterprise Allowances, in five pilot areas.
Northern Ireland Local Enterprise Development Unit Tel: (Belfast) 0232 691031	Grants and loans from £1,500. Premises and counselling.
Scottish Development Agency Tel: (Glasgow) 041 248 2700	Loans from £1,000, grants, and equity. Premises and counselling.
Welsh Development Agency Tel: (Pontypridd) 044 385 2666	Loans, guarantees and equity. Premises and counselling.

The BOTB scheme is designed to help small and medium-sized companies break into new markets, says Ray Maugham

Market Entry Guarantee Scheme extends area

ONE OF the principal areas of export assistance given by the Government, through the British Overseas Trade Board, is the Market Entry Guarantee Scheme. Designed to help smaller and medium sized companies break into new overseas markets, to augment their share of existing markets and to spread the risk involved, the scheme funds half of certain overhead costs associated with a new venture.

A new market is defined as one in which the company concerned has hitherto made no sales or, where some sales have been made, a major rise in turnover is planned and substantial overhead costs will be incurred in hitting the new sales target

The Department, through the BOTB, makes a flat rate charge of 3 per cent of its funding in return and also takes a levy on sales receipts. This is designed to recover the department's outlay plus interest at 2½ per cent above the weighted average of the UK clearing banks' base rate.

Should the venture prove unsuccessful the firm is relieved of any shortfall in repayment of the BOTB's funding remaining due at the end of the agreed period.

The scheme was initially set up to help only UK manufacturing companies but the catchment area was extended to cover the British non-manufacturing sector last year.

The BOTB scheme defines a new market as one in which the company concerned has hitherto made no sales or, where some sales have been made a major rise in turnover is planned and substantial overhead costs will be incurred in hitting the new sales target.

The firms have to show that they can carry out a specified venture by thorough research of the target market and a full explanation of the basis on which their marketing programme has been formulated.

Ventures which fall outside the parameters of this scheme include visiting programme and publicity campaigns in isolation, one-off contracts, proposals to manufacture overseas and ventures which are expected to move into annual profits later than their sixth year.

Eligible costs include overseas expenses which are largely irrecoverable except in the longer term through the margin on sales. They take in office accommodation abroad, staff costs, training, travel, sales promotion, overseas warehousing and commercial and legal costs. They exclude direct manufacturing overheads, interest, depreciation and UK administration charges and any costs incurrmed when the venture is presumed to be making an annual profit.

Limits

The minimum BOTB commitment for a single venture is £20,000 and the top limit was lifted last year to £150,000. Ventures with planned eligible costs below £40,000 will not be considered although the scheme will fund half of the eligible costs between this floor and a maximum of £300,000.

The BOTB claims a growing degree of small business interest in the scheme. Partly because of the higher funding limit and partly because of its extension into the non-manufacturing sector, the number of applications last year increased considerably over 1980. The BOTB noticed this particularly in the six months from July onwards when the non-manufacturing section accounted for 19 applications and manufacturing firms for 20.

The firms concerned were mostly turning over less than £2m annually and their target markets were principally the EEC and the U.S. The number of agreements in force at the end of last year was 85, the BOTB notes—with virtually all sections of manufacturing industry represented.

Firms in London and the South East seeking further export help should contact the South East Regional Office of the BOTB at Export House, 50 Ludgate Hill, London EC4M 7HU. Tel: 01-248 5757.

The export sections of Department of Industry and Trade offices, acting as BOTB Regional Offices can be found at:

North Eastern Regional Office, Stanegate House, 2 Groat Market, Newcastle-upon-Tyne NE1 1YN. Tel: 0632 324722.

Yorkshire and Humberside Regional Office, Priestley House, Park Row, Leeds LS1 5LF. Tel: 0532 443171.

West Midland Regional Office, Ladywood House, Stephenson Street, Birmingham B2 4DT. Tel: 021-632 4111.

North West Regional Office, Sunley Buildings, Piccadilly Plaza, Manchester M1 4BA. Tel: 061-236 2171.

East Midlands Regional Office, Severns House, 20 Middle Pavement, Nottingham NG1 7DW. Tel: 0602 56181.

South West Regional Office, The Pithay, Bristol BS1 2PB. Tel: 0272 291071.

Welsh Office, Block 2, Government Buildings, St Agnes Road, Gabalfa, Cardiff CF4 4YL. Tel: 0222 62131.

Scottish Office, Alhambra House, 45 Waterloo Street, Glasgow G2 6AT. Tel: 041-248 2855.

Northern Ireland Department of Commerce, Chichester House, 64 Chichester Street, Belfast BT1 4JX. Tel: 0232 34488.

The British Technology Group is finding it difficult to attract clients

Waiting for an overall strategy

THE BRITISH Technology Group has not yet produced a clear overall strategy for helping small firms and it is still finding it difficult to attract clients.

It was formed during the past year with the merger of the operations of the National Enterprise Board and the National Research Development Corporation.

This should help to rationalise some of the financial aid available for small businesses from state organisations. It also enables the financial expertise and regional activities of the NEB to complement the NRDC's considerable science-based skills.

Together they could become a significant expert force in the funding of small businesses, especially those with technological breakthroughs. But so far they have failed to make much impact.

The group's two schemes specifically aimed at small businesses are Oakwood, founded by the NEB 15 months ago to provide loans of up to £50,000, and the Small Company Innovation Fund, set up by the NRDC in September 1980 to provide broader based packages. They have sufficient cash to provide £3m a year but they have only backed 41 companies with £1.75m so far. There have been five failures costing the group approaching £110,000 which have mainly occurred through lack of production and other management expertise in new businesses.

"People who come to us are strong on technology and weak on management," says Mr Alan McGarvey, who has been in charge of the two schemes but who is now leaving to become the first chief executive of the Greater London Council's new enterprise board.

"We do not have sufficient staff to be in the counselling business," he adds. "But when a company comes in we look at it and guide the people through problem areas. We often make it a condition that they hire a finance expert or someone with marketing experience."

For example, when Oakwood put up £40,000 for John Howard Foods of Wells-next-the-Sea in Norfolk, it insisted on the appointment of a part-time finance director to help the founder, Mr John Howard, run the business which processes cooked meals in sealed aluminium trays.

The Oakwood loans—which are linked to an option for the NEB to take an equity stake later—are widely regarded as well-designed forms of small business aid. But they are not well known and they have been eclipsed in the past year by the Industry Department's loan guarantee scheme.

Other small firms help is provided through the group's regional organisation, which constantly produces new initiatives in an attempt to make a mark in the assisted areas. Its latest projects are £2m partnerships in the south-west and on Merseyside with the private sector which it hopes will generate £20m investments in three or four years.

Mainly small firms

During the NEB's six-year life, only about £8m has been invested by the regional organisation. Most has been in small firms, a fifth of which have foundered. A management-consultancy link-up in the north-west, called Sapling, has benefited the few firms it has helped, but has not found many customers.

But a link up with Mr Jack Melchor, a Californian venture capitalist, has generated six high technology investments worth £1m. Some of the NEB's other high technology investments have also expanded and flourished—for example Innotron in the medical field and Systime in computers.

There is also a new company called Grosvenor Development Capital which has taken over eight of the NEB's more successful small businesses in partnership with Equity Capital for Industry, County Bank, and the British Rail pension funds.

The NRDC part of the group has a much wider portfolio based on helping scientists and inventors. It has about 120 joint ventures with small companies developing specific technological products. There are several hundred more licensees of projects patented from university and public sector inventors.

Now, as the merger of the two parts of the group develops, this technological and scientific base should make it easier for the NEB to attract clients.

John Elliott

Tax relief measures will boost expansion of large company activities

Strong growth in enterprise agencies

THE GROWTH in the number of local enterprise trusts set up to provide small businesses with help and expertise from large companies is accelerating fast. From small beginnings three years ago when the current expansion started the number of trusts grew to about 15 last summer and now probably totals between 70 and 100.

No-one is sure precisely how many there are. The Industry Department believes there are at last 60, with more on the way, while the Environment Department puts the figure at nearer 100, probably because it includes organisations with wider community activities.

A further expansion in both the number of agencies and in the activities involved is expected following the introduction of tax relief on company contributions. This relief was announced in the Budget and is contained in the current Finance Bill. It will come into force later in the summer, when the Bill is enacted, backdated to April.

Encouragement

It will encourage companies to provide agencies—which together have helped many hundreds of small businesses—with more funds and managerial expertise. At present they are provided with perhaps £600,000 in total from all their sponsors. Experts believe this could grow to £1m next year. More than 100 companies are involved in the agencies, plus chambers of commerce, local authorities and other organisations.

The quality of the agencies varies widely, often depending on the efficiency of the local chamber of commerce and the local commitment and involvement of the companies concerned. Local authorities can sometimes cause problems if they do not co-operate without political inhibitions and or infighting.

The largest is the London Enterprise Agency (Lenta). It has an annual income of £210,000 in addition to over £1.5m capital tied up in property developments and has given direct detailed advice to over 1,000 small businesses in its three years' life.

Company contributions are not usually large. Shell, which was one of the pioneers of the movement and has helped to found Lenta and several other agencies, is thought to spend about £80,000 a year on subscriptions plus another £120,000 on salaries of staff it seconds. A newcomer in the past year which has impressed experts with its activities is Whitbread which is involved in 12 agencies but it is so far probably spending a total of under £100,000 a year.

The tax relief for company contributions will be given by treating the contributions (in cash or kind) as a deduction when the profits of a company are assessed for corporation tax. Contributions will only qualify if they are made to agencies registered by the Industry Department's regional offices, which will want to be satisfied that the organisation's sole or major objective is to promote or encourage local industrial and commercial activity, especially small businesses. The organisation will have to keep finances used for this purpose in a separate fund from any other activities.

The organisation must also be precluded from making any direct or indirect payment to any of its members apart from rent and interest payments.

Unilever, Shell and BP were the first three companies to start a campaign for this tax relief two years ago. They thought it illogical that help for small businesses channeled through agencies should be denied the sort of tax relief available on other charitable contributions. The tax savings for large companies like these three are tiny. But it should now be easier for an executive to persuade his board of directors to sanction expenditure and to allow line managers (as opposed to those in service departments such as public affairs) to be made available to advise small businesses.

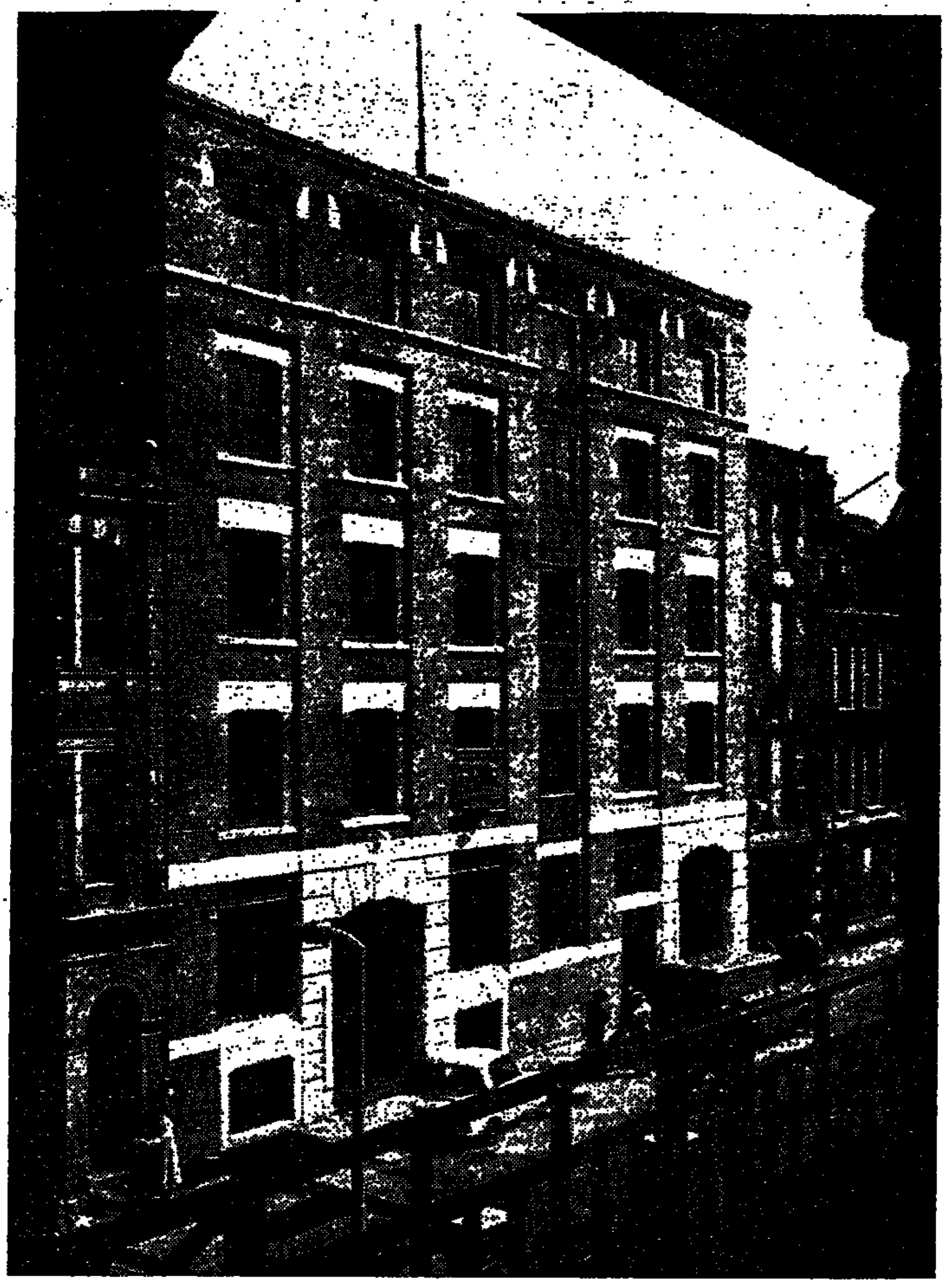
Clarification

Initially there was some doubt about whether time spent by managers working on a specific project—as opposed to those delegated on secondment—would be allowable. But the point was clarified in an amendment to the Finance Bill earlier this month. Some companies are now expected to set up an internal budget which will be tax-deductible and which can be drawn down by parts of the company that provide help to an agency.

Companies which provide help on their own instead of joining with others in an agency will also qualify. Blue Circle, for example, has set up a trust to provide help in areas where it declares redundancies, and BAT has also launched some initiatives on its own in the past year.

"It is now up to enterprise agencies to justify this tax concession," says Mr Brian Wright, director of Lenta. "To meet that challenge we must have more high fliers lent by large companies to provide proper company doctoring advice so that agencies do not concentrate just on training and on passing small businessmen on to others."

John Elliott



Brune Street Workshops, Spitalfields, a disused grain warehouse converted into 40 small units by Lenta Properties with the aim of assisting small firms and inner city regeneration. Lenta Properties is a joint venture by Barclays and Midland banks, Shell and BP, four of the London Enterprise Agency's original sponsors

Whitbread move eases impact of redundancies

WHITBREAD'S activities in the past year illustrate how a company concerned about the impact of its redundancies can help ex-employees and their communities. Within 12 months it has become involved with a dozen agencies in towns where it has breweries, and was instrumental in the creation of the newest agency, opened within the last fortnight in Maidstone.

Faced with a redundancy programme of a thousand workers or more a year, Whitbread was considering how to help employees set up their own businesses when Mr Richard Martineau, its director responsible for small businesses and youth training, attended a conference on enterprise agencies organised in London 13 months ago by the Department of the Environment.

Whitbread then joined the London Enterprise Agency and Business in the Community, the organisation set up in the ICFC's headquarters by large companies to encourage community involvement. Since then it has linked with other companies to help found or support agencies in Maidstone, Portsmouth, Luton, Southampton, the Isle of Wight and Sheffield, sometimes with local authority co-operation. It has supported the Somerset Small Industries Group and has been having talks about setting up agencies in Cardiff and Gloucester.

It has two employees on secondment to agencies in Portsmouth and London (Wandsworth) and, in a different sort of initiative, has helped ex-employees in Poole, Luton and Wales to set up new businesses which Whitbread now employs for beer distribution, building and pallet repairs.

Whitbread has built up a reputation for becoming positively involved in the agencies it founds, illustrating that best results are obtained when the large companies concerned have interests in the locality. "We tend to use the agencies we support by encouraging our own employees to go to them and by using them for lectures in our breweries—we don't just help found them and then stand back in a passive way," says Mr Martineau.

The Maidstone agency started after Whitbread decided to shut a brewery at Wateringbury in Kent. Mr John Kidson, now the local managing director, became interested and last autumn Whitbread organised a conference of Kent businessmen and local authorities with Business in the Community.

As a result the Maidstone agency was set up in Whitbread premises with an first-year budget of £22,000 to cover operating costs. Its director, Mr John Lee, is 42-year-old Westminster Bank assistant manager on secondment from Chatham and the bank is paying his salary. In addition to these two companies, the other founder members are the local chamber of commerce and Kent and Maidstone councils, plus Barclays Bank, the Reed Group, Trebor, Courage Eastern, ICI's plant protection division, Kimberly-Clark, R. Corben who are local builders, and Whatman Reeve Angel, which makes paper filters.

The agency has a list of 50 people from these local businesses and other professional organisations who are willing to advise small businesses. It also intends to provide advice or expertise on the availability of local property, managerial education, company purchasing policies, and the problems of youth unemployment.

J. E.

Role for Co-operative Development Agency

THE CO-OPERATIVE Development Agency has been re-organised in the past year to turn it into a business-oriented organisation committed to giving practical leadership, instead of being held back by the more realistic beliefs of the Labour Party's co-operative wing.

There are about 500 co-ops in Britain, most of them extremely small, with an average workforce of eight or nine people. Many have been founded by people made redundant during the recession, often with funds from local authorities or the Manpower Services Commission.

The agency's job is to help founders of co-ops to develop sound businesses and to promote the general idea of co-operation, pulling togeher the scattered and sometimes warring factions of the co-op movement.

To help this, the agency was given a new board and chairman last October. Three months ago a senior executive arrived from Unilever to take over from Mr Denis Lawrence, a former Industry Department senior civil servant who played a leading role in the agency's creation in 1978.

The new director is Mr George Jones, 53. He has been seconded by Unilever from posts in two subsidiaries where he was a director of BOCM Silcock and chairman of Unitrition, both animal foodstuffs businesses.

Mr Jones became involved in worker participation when Unilever introduced employee councils and other consultative arrangements in the late 1970s.

"I believe in industrial democracy, though I'm not sure yet how it can work in large-scale enterprises in this country," he says. "The more demorcracy you get into business life, the better. Workforces do have a contribution to make, so you can get a more effective business."

His new chairman is Mr Ralph Woolf, managing director of Scott Bader, the Northamptonshire chemical company which has been owned by its employees for about 20 years and which has helped to organise other co-operative ventures.

Other members with direct business experience include: Mr Lewis Lee, chief executive of the Co-operative Bank which has started playing a significant co-op funding role in the past three years; Mr Tom Garnier, managing director of Kalamazoo, which is part-owned by its employees; and Mr William Farrow, chief executive of the North Midlands Co-operative Society. Mr George Wright, a leading trade union official in Wales, who is involved in the creation of Co-ops, is also a member.

Mr George Jones, seconded from Unilever to be director of the Co-operative Development Agency

The agency is being kept to a strict budget of £200,000 a year by the Department of Industry under a three-year lease-of-life granted in June last year by Sir Keith Joseph, then Secretary for Industry.

It now has to prove itself within two years bearing in mind that the current budget expires at roughly the same time as the end of the Government's present term of office in 1984.

While a Labour administration would want a more interventionist and aggressive policy on co-ops, a Conservative administration would insist that the agency proved itself.

The Industry Department last year said that the agency should stop trying to give help to individual co-ops and should concentrate more on promotional work.

Mr Jones however is trying to obtain four marketing and other executives on secondment from large companies to allow the agency, within its limited budget, to take on more consultative work.

He believes the agency should have enough expertise to go into co-ops and provide practical advice for a lengthy period and that it should also provide general expertise in special areas like marketing. Subject to his board's approval, he would also want the agency to specialise in potentially fruitful sectors for co-ops — say the clothing industry.

This work would all be in addition to advice available from the Government's established small firms' organisations which the agency is now supposed to use for general small-firms style counselling.

Mr Jones acknowledges that co-ops in the UK (unlike those in the Basque area of Spain and in Italy) have a problem raising capital.

"The real problem, however, is that they need the right management skills," he says. "Those skills will create the products and the markets which will attract money. So it is the skills which are the main thing for us to tackle if co-ops are to become viable. In practice, you don't solve business problems by throwing money at them, you solve them by proving viability."

So would-be co-operators now have a business-oriented agency to which to turn for encouragement, guidance and advice.

It remains to be seen whether, with a small staff of only 13 or so, the agency can make enough impact to encourage people to become collective owners of their own businesses, instead of settling for the conventional life of an enterpreneur, manager, or employee.

John Elliott

Small businessmen are not obvious potential members of centralised organisations. But in recent years associations to represent their interests have mushroomed as never before. Although the fundamental aims are the same, there is keen competition to attract new members, reports Tim Dickson.

SMALL BUSINESSES are usually discussed — not least by this newspaper — as though they represented one homogeneous sector of the British economy. This, of course, can be misleading for small firms not only operate in different industries but take in new, established, and it has to be said dying companies employing anything between one and 200 people. It is therefore not surprising that a large number of organisations have sprung up to promote their views and protect their interests.

It is also inevitable that a spirit of rivalry, not to say intense competition, should have developed among some of those whose territories overlap. Most groups are usually suspicious of the membership claims of the others and it is sometimes rumoured that private money keeps one or two afloat.

Certainly the character of some organisations listed below are shaped by the ego and personality of their chairman, secretary or chief executive. The current rivalry is inevitably given a financial edge by the recession, which has forced some members to save money by cuting out their subscriptions and has forced others completely out of business.

Representative organisations come in all shapes and sizes, though all tend to be united by a belief in free enterprise, the little man as opposed to the big man, and the importance of the overall environment — which they invariably argue the Government has yet to get right.

At the top is the Confederation of British Industry—better known as the chief lobby group for big business but nevertheless a useful forum for the larger of the small companies. At the other end of the spectrum is a group like the Alliance of Small Firms and Self Employed, for whom form filling and the burden of complying with legislation are among the chief preoccupations.

The Conservative Party has its own small business association in the shape of the Small Business Bureau.

Small Business Bureau,* 32,

Conservative Party Central Office.

Forum is proud of deciding policy by ballot

THE FORUM of Private Business claims to speak for 8,000 members, most of whom tend to be very small firms with only a handful of employees. Mr Stan Mendham, the Forum's chief executive would claim that his organisation is nevertheless representative of the country as a whole "because we know that 85 per cent of all businesses in the UK employ less than 15 people." Mr Mendham is also proud that the Forum has no financial or other connections with big companies.

The most unusual feature of the Forum is that policy is determined by regular balloting of members through a broadsheet called The Referendum. This goes out nine times a year with descriptions of current activities and articles on the Forum's views, but most important it asks questions on issues relevant to private business. The Referendum ballot form is marked by voting members and once votes are counted the results are sent to MPs and MEPs.

According to Mr Mendham this canvassing of opinion, copied from a Canadian model, makes The Forum "very democratic and the organisation which most closely represents the views of its members."

"We are very concerned with getting the environment right for companies in all sectors and companies at all stages of growth," he says.

At the moment The Forum is particularly concerned with the administrative problems caused by VAT and unfair competition between the public and private sector and between big and small firms.

A full Forum membership is £250 though the amount given is up to the individual firm. The minimum is £15.

Above: Mr Stan Mendham of the Forum of Private Business; below, Mr Brian Kingham of the AIB

Wide-ranging role for AIB

Taking into account affiliate associations ranging from the National Dairyman's Association and the British Precast Concrete Association to the tiny Guild of Luthiers and Pipemakers, the Association of Independent Businesses (AIB) claims to represent something like 30,000 firms (there are only 2,000 direct members). Companies from all sectors of the economy and of every size belong to the AIB, which claims to speak for one quarter of the UK's private business concerns which have a turnover greater than £1m.

The AIB is run by a council of practising businessmen, whose national chairman is Mr Brian Kingham, director of Reliance Securities; and whose president is Lord Lever of Manchester, the independently-minded Labour peer who made such a contribution to small firms' policy during the past Labour Government. Professional AIB staff in London—there are two executives plus a couple of secretaries and book-keeper — provide back-up secretarial services, research and publicity, while policy-forming committees deal with tax, employment law, company law, and industrial relations.

Eleven regional councils keep in touch with local developments, talk to local MPs and other opinion formers. For example, the West Midlands Regional Council is keeping a close eye on the activities of the West Midlands County Council.

The AIB is active in lobbying at Westminster and Whitehall and produces a regular newsletter and annual review.

"If we had a motto, which we don't, I think it would be 'fairness, not favour, for the smaller independent business'," says Mr Brendan Donnellan, the AIB's secretary.

The association is particularly enthusiastic about informal meetings which it has had recently with representatives of all political parties. It detects a growing consensus among MPs on the tax reforms needed to increase the incentive to work.

UIC concentrates on manufacturing sector

Mr Derek Young, national chairman of the UIC

COMPANIES (UIC) is composed entirely of manufacturing firms, mainly those with at least 20 employees which—its officers would argue—the the sort of businesses which could create a substantial number of jobs given the right encouragement by the Government.

The UIC is the umbrella for a number of local UIC groups which are organised along parliamentary constituency lines —the idea of keeping MPs and local opinion formers in touch with what members are thinking. "We want doers, not passive members," explained an official. "We are not like the RAC which depends for its existence on thousands and thousands of people who would not think of taking an active part but just pay their money, sit back and take the benefit."

The UIC believes it does a good job keeping politicians informed and is proud of the influence it exerted, for example, in persuading the Government to introduce a Loan Guarantee Scheme last year. Much of the detailed policy formulation is carried out with the help of Mr Barry Baldwin, a Price Waterhouse partner who carried out a special study on the impact of the U.S. Loan Guarantee Scheme. Mr Baldwin is currently seconded to Conservative Central Office where many feel he is able to give the UIC extra political clout.

Mr Bill Poeton, the founder and national spokesman—sits on the study group on banking convened by the backbench Tory MP Mr Michael Grylls. The UIC however, has no formal links with the Conservative Party.

The union's national chairman is Mr Derek Young.

ADDRESSES OF ORGANISATIONS

Confederation of British Industry, Smaller Firms Council, Centre Point, 103 New Oxford Street, London WC1A 1DU. Tel: 01-379 7400.

The Association of Independent Businesses, Trowbray House, 108 Weston Street, London SE1 3QB. Tel: 01-403 4066.

The Union of Independent Companies, 71 Fleet Street, London EC4. Tel: 01-583 9305.

The Forum of Private Business, Ruskin Rooms, Drury Lane, Knutsford, Cheshire WA16 0ED. Tel: 0565 4468.

National Federation of Self Employed and Small Businesses, 32 St Annes Road West, Lytham St Annes, Lancashire FY8 1NY. Tel: 0253 720911.

The Association of British Chambers of Commerce, Sovereign House, 212a Shaftesbury Avenue, London WC2H 8EW. Tel: 01-240 5831.

Alliance of Small Firms and Self Employed People, 279 Church Road, London SE19 2QQ. Tel: 01-653 7288.

Small Business Bureau, 32 Smith Square, London SW1. Tel: 01-222 9000.

The National Chamber of Trade, Enterprise House, Henley-on-Thames, Oxon. Tel: 04912 6161.

NFSESB: strong at small end

FOUNDED IN 1974 by a handful of Lancashire businessmen who felt strongly about National Insurance contributions, the National Federation of Self Employed and Small Businesses is now one of the most vocal and best known representative organisations. With 50,000 members—between them they apparently run 70,000 small businesses—the Federation has outgrown its local origins as a pressure group and today concerns itself with a wide range of national issues.

Members, however, tend to be very much at the small end of the small business spectrum and the vast majority are either self-employed or employ fewer than 10 people. They are divided into 35 regions and about 350 branches.

As part of their £18 a year annual subscription, members get an insurance scheme which covers the costs of an industrial tribunal, Inland Revenue in-depth investigations and health and safety prosecutions. The firm running this scheme also offers legal advice and other services such as p ension and hospital schemes at special rates.

Outside observers ae impressed by the quality of many of the Federation's submissions—its recent paper arguing for the abolition of VAT between registered traders is a good case in point—though in other instances its sometimes immoderate language does not always win friends. There are five full time staff in London and 25 in Lancashire where, true to its roots, the head office is still based.

Survey shows concern over qualifying use of premises given aid under the IBA scheme

Industrial Building Allowance aids investment in small units

IF CONCERN about money has been the most discussed small firms issue in the past few years, the growing awareness that suitable premises are not always easily found has also prompted considerable debate.

The reasons for this are fairly obvious. Much of the industrial property in the UK was built and designed for large companies engaged in the traditional manufacturing sectors. In location, size, price and quality it is often wholly inappropriate not only for smaller businesses *per se*, but for new ones involved in less labour intensive sectors such as information technology, electronics and computers, and who also happen to be small.

In areas of the country where traditional industry is dying and entrepreneurial attitudes are weak, institutional investors are seldom interested in new development. Most of the efforts to increase the amount of suitable workspace for small firms has therefore come from the public sector, though the needs of the tenant and the changing nature of an enterprise from start-up through to maturity are not always fully understood.

As Mr Nicholas Falk, a director of Urbed (Urban and Economic Development) points out, "The process of planning, designing and building industrial floor space seems little altered from Victorian times; indeed many would say it is worse. We tend (in the UK) to build what institutions want to fund rather than what the market really requires."

Falk says that politicians, planners, architects and surveyors have a tendecy to ignore a segment of the market for years, and then over-react, often in the wrong place. It used, for example, to be difficult to find premises of less than 5,000 sq ft but now that there are incentives to encourage this development many people have built them away from potential users (near motorways or on the edge of towns, for example) or concentrated on the wrong size within this sector of the market.

Also, Falk argues, "more than 10 science parks are being proposed for places which have none of the qualities of the prototypes, while areas that have real potential are ignored."

New technology businesses, do not necessarily want to pay significantly higher prices for "sci-fi" sheds surrounded by trees. Apple Computer, for instance, started in a garage and Digital is still housed in the gigantic multi storey mill where it once occupied a corner.

One of the Government's main measures in this field has been to encourage small industrial premises through the 100 per cent Industrial Building Allowance. This was introduced in March 1980 (for three years) and enables the expenditure on the construction of industrial buildings providing working space of 2,500 square feet or less to be offset fully against tax. The allowance is potentially valuable for payers of Corporation Tax and individuals subject to high marginal rates of income tax.

The response

The Department of Industry recently carried out a survey in the UK to find out what impact the 100 per cent IBA has been having.

Response to the interviews conducted suggest that it has been a major influence in sharply increasing investment in small industrial units. In the 22 local authority areas concerned the number started leapt from 239 in 1978/79 to 697—a threefold rise entirely accounted for by private sector activity. "Only two of the subjects interviewed failed to mention the IBA in the interviews without prompting," says a report based on the survey.

Significantly the report also says that "institutional activity in the areas has been minimal. They (the institutions) do not wish to take on board the risks and high management costs of small premises schemes and tax benefits do not sweeten the pill sufficiently for them."

Concern, however, was frequently cited over qualifying users given that trades are often difficult to define or change at frequent intervals. There was some worry that tax inspectors might not classify firms as "manufacturers" and therefore the IBA would be lost. In this year's Budget, however, the definition of a "qualifying" tenant was widened and 100 per cent IBAs extended until March 26, 1985 for buildings with floorspace of less than 1,250 square feet. Some estate agents have reported a glut of nursery units in certain parts of the country but it is generally felt that there is still an unsatisfied demand for very small premises.

Over the past 10 years there has been a big rise in the number of initiatives, particularly from local authorities, agencies like the British Steel Corporation (Industry), innovation and community centres and enterprise agencies. In most cases the emphasis is on a managed workspace, where small firms are provided with the support of business services and even specialised equipment in say Technology Centres.

In spite of those addicted to the "sink or swim" market theory many new businesses need a sheltered environment while they are getting established, an idea which has recently been taken up by the North British Industrial Association, an offshoot of the Housing Association.

The association is the first and largest of the UK Industrial Associations (similar to the enterprise trust idea but specialising in the provision of finance) and is engaged currently on a £10m programme providing cost rent business premises in conjunction with local authorities.

One trend which is increasing is the use after conversion or sub-division of existing larger buildings as an alternative to new custom built premises. This is something, for example, that BSC (Industry) has tried with conspicuous success at a number of locations—including Cardiff, Clyde, Corby and Hartlepool—as part of its bid to create new jobs in steel closure areas in Britain.

Right at the beginning of these developments (circa 1977) it was felt that redundant steel complexes might contain the seeds of a new commercial future. Blast furnaces, sinter plant and billet mills were clearly unsuitable but ancillary buildings such as stores, garages and canteen were expected to prove more promising environments.

This has certainly been the case at Cardiff workships on the old East Moors Iron and Steel Works in South East Cardiff. In April 1978 the site closed and demolition began. A subsequent survey, however, recommended that 15 buildings located on a 12 acre corner of the site and containing 123,000 square feet could be converted into workshops ranging from 300 to 1,300 square feet.

Quite apart from anything else it is much cheaper to keep an existing structure than to level a building to the ground and start again. But the Cardiff workshops have proved in many ways to be ideal starting points for entrepreneurs with every kind of access, shape and height or interior, size and flexibility of unit represented.

Helping a start up

In managing its workshops BSC (Industry) has given considerable thought to the conditions which ease a start up. Workshop licences, for example, have tried to combine short term flexibility with maximum security so that as the BSC (Industry) spokesman puts it "tenants have the freedom to fail as well as to succeed, and to do so without coming to much harm."

Interview formalities and legalities are kept to a minimum; guarantors for the premises are limited, and advisory services (help with a bank introduction or marketing) are seen as important. Rent free periods, however, are not given—"it was considered that businesses would be most likely to succeed if they existed in the real commercial world from the beginning."

BSC (Industry), however, admits that "few strictly commercial operators would find an investment in so-complex a venture (i.e. the workshops) attractive unless it were for tax reasons." The provision of premises for start-ups is perhaps one area where the public sector—provided those responsible know the market—is badly needed to lend support.

Addresses: Urbed (a non-profit-making firm specialising in regeneration and which has details of many local authority and private small business developments in the London area) 359 The Strand, London WC2R 0HS. Tel: 01-379 7525; the North British Industrial Association, Unicentre, Preston PR1 1DP. Tel: 0772-59223; BSC (Industry) Ltd, NLA Tower, 12 Addiscombe Road, Croydon, Surrey CR7 33H. Tel: 01-686 0366.

T. D.

THE USE OF ASBESTOS

Health risks: the argument goes on

By Sue Cameron

A NEW American study has predicted that every 50 minutes of every day between now and the end of the century someone in the U.S. will die from cancer caused directly by industrial contact with asbestos.

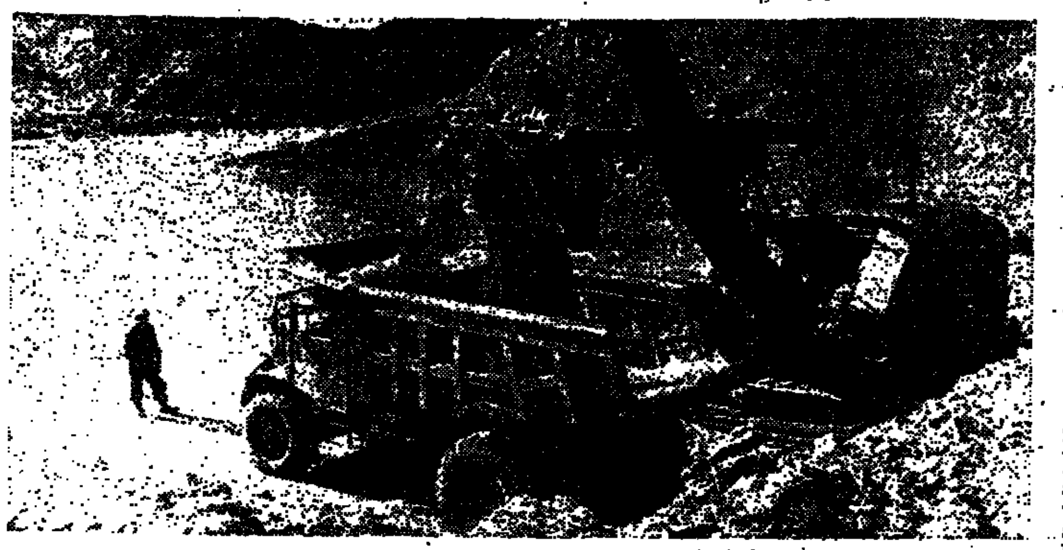
This macabre forecast — a projection based on the number of Americans who died from asbestos-induced cancers between 1940 and 1980—comes from Professor Irving Selikoff, director of the Mount Sinai School of Medicine in New York. However, Professor Selikoff admits that his death rate predictions are open to dispute. There is certainly no shortage of senior asbestos company executives ready and willing to launch fierce attacks on his figures.

The industry, nevertheless, has to grapple with continuing concern over the fatal effects that asbestos can have on those who work with it and even on those who use end products containing it. Whatever the rights and wrongs of academic arguments over health risks, companies that mine, mill and manufacture asbestos and asbestos products could now be facing serious problems.

Perhaps it was fear that the industry itself may be in serious decline which persuaded the Canadian Government and the Provincial Government of Quebec to find C$0.5m between them for last month's world symposium on asbestos, held in Montreal. Over 60 per cent of the non-communist world's supply of raw asbestos comes from Canada—nearly all of it from Quebec. Yet over the past decade, major consuming countries such as the U.S. and the UK have virtually halved the volumes of asbestos they use.

Deposits of asbestos are found in only a limited number of countries. The biggest producer is the Soviet Union, which is thought to have an output of some 2.5m tonnes a year at present—and plans to double that figure over the next few years. Nearly all Soviet production is used domestically.

On the other hand Canada, which ranks second in the world league table of producers, exports 95 per cent of the 1m tonnes a year she is now producing. Export sales are estimated to be worth some C$600m annually. But Canada's current output levels are well down on the 1.7m tonnes she produced in 1973.



Surface mining of asbestos in British Columbia

Other producers include Zimbabwe, with an output of roughly 200,000 tonnes a year; South Africa, which exports about 80 per cent of the 200,000 or so tonnes she produces annually; Swaziland, which produces around 100,000 tonnes and Italy, where the mine at Balengero has a capacity of 500,0000 tonnes a year.

Nobody doubts that asbestos fibre is a potential killer. Those who breathe in quantities of asbestos dust — and it is the dust that is dangerous — run a serious risk of developing asbestosis or cancers such as mesothelioma, a particularly painful tumour that affects the lining of the lung.

But the asbestos industry argues that concern about the material is needless today for the following reasons:

- Safety standards have improved. As late as the 1960s standards in workplaces where asbestos was used were often appalling. But now most industrialised countries enforce a maximum limit of two asbestos fibres in one cubic centimetre of air in all factories.
- The most dangerous applications of asbestos — particularly spraying — have been banned almost everywhere.
- Cancer and asbestosis often take up to 20 years to develop. Statistics which show frighteningly high death rates from asbestos-related diseases among workers and their families therefore relate to the bad old days, when safety standards were poor. The industry insists that they cannot be used to indicate the level of risk today.
- The dust in a finished product such as a piece of asbestos pipe has been "locked in." It therefore presents no threat to those who come into contact with it.

Opponents of asbestos use—who include trade unionists and scientists — accept that the smaller the "dose" of asbestos dust, the lower the risk of disease. But they say existing evidence shows that even low-level exposure to asbestos can be followed by the development of disease.

Those who want the use of asbestos stopped also point out that because it takes so long for illnesses like cancer to develop, it will be many years before the present two fibres standard can be shown to provide an acceptably low risk.

Raw abestos has a wide range of end-uses that stretch from brake linings to industrial textiles. But 70 per cent of what is produced goes into the making of asbestos cement which is subsequently turned into pipes, roofing and board for the construction industry.

With the exception of some of the developing countries, annual consumption rates for asbestos are falling dramatically. Ten years ago the U.S.—the biggest buyer of asbestos—used 750,000 tonnes a year. Today the figure is nearer 400,000 tonnes. Meanwhile UK imports of asbestos have plummeted from 171,000 tonnes in 1973 to a mere 76,000 tonnes last year.

And earlier this year a public outcry over the health risks of asbestos forced the six West German users of asbestos to agree to cut the total amount of fibre they use. Germany—one of the biggest asbestos consuming countries—has been using 120,000 tonnes a year to make roughly 1m tonnes of asbestos cement products. But under an agreement that runs to 1985, the country's manufacturers will substitute other materials for 30 to 50 per cent of the total asbestos they use across their product range.

Leading manufacturers around the world do not accept that public anxiety is having a serious effect on their businesses. Among the biggest companies are Johns-Manville and Raybestos-Manhattan in the U.S. Turner and Newall in the UK and the Swiss/Belgian Eternit group in Western Europe.

Johns-Manville, which mines asbestos as well as making products from it, has seen its pre-tax profits on sales of raw asbestos fibre tumble from $56m in 1979 to $37m last year. But the group, which refuses to give a detailed financial breakdown of its asbestos product sales, believes the groundswell of anxiety about asbestos is now passing.

"There is no doubt that asbestos is a hazardous material if it is not properly used," the group says. "And we have had a period of about 10 years of very high concern about the product. But we think we have now learned to control it."

Turner and Newall, whose asbestos sales accounted for slightly less than half its 1981 turnover of £623m, is rather more bullish. It reckons that "much of the steam has gone out of the anti-asbestos lobby and there is not that much concern in the U.K." But it adds that public anxiety "has had a much greater effect in the U.S. and in continental Europe." Significantly, the group is spending roughly £1m of its worldwide research and development budget of £10m a year on the search for alternative materials to asbestos.

The question of substitutes is a thorny one. No other material has all the properties of asbestos and can therefore replace it in all applications. Those fibres which most closely resemble asbestos may possess similar health risks—a horrifying prospect that the industry bears in mind constantly as it searches for alternatives.

But there are materials that can replace asbestos in particular uses. PVC plastic, for example, can be used instead of asbestos cement to make pipes. Galvanised iron or glass-reinforced sheets can be used instead of asbestos cement sheets for roofing. But the problem here is that the alternatives are usually much more expensive. And while such substitutes may be adequate, they are not always as good technically.

The extra cost of alternatives to asbestos is of particular concern to developing countries. But it is these countries which provide the asbestos industry with one of its few grounds for optimism.

They use comparatively low-priced asbestos cement piping, roofing and other building materials for vital development programmes; they tend to be far less concerned about health risks—to the point where the anti-asbestos lobby is able to publish pictures of children playing on top of what is allegedly an asbestos dump in India; and consumption of asbestos and asbestos products in some developing countries seems set to grow by as much as 5 per cent a year, or even more.

But asbestos company executives do not believe that increased sales in the Third World can compensate for the dramatic fall in demand in the industrialised countries.

Foreign Affairs

Imperialism, Gaullism and the Falklands

By Ian Davidson

AS THE euphoria over military victory in the south Atlantic seeps away, the political establishment in Westminster and Whitehall is having to gird itself for another agonising reappraisal of Britain's defence capabilities. But Mrs Thatcher's uncompromising attitude to the future of the Falkland Islands seems likely to make this review even more agonising than it might have been, and may well spill over into a more general reappraisal of Britain's foreign policy priorities.

In schematic terms, the defence question may be divisible into five discrete packages, though obviously analytical neatness is unlikely to be reflected by black-and-white policy decisions.

First, there will be the question of replacing all the equipment lost in action—the ships, helicopters, Harriers, and other stores. If they were thought to be necessary in March, and proved necessary in April and May, it will be very difficult to argue that they are not necessary now.

Second, there will be the cost of protecting the Falklands in future, with a garrison ashore and ships at sea. Unless the Argentines renounce any future hostilities, this may have to be quite a significant force; even if they do, it may still have to be potentially significant, because a future Argentine Government may yet seek to avenge the defeat.

Third, the men in blue will be vociferously demanding a reversal of the Nott policy of cutting back Britain's surface fleet, in the hope of re-opening the aircraft carrier issue. To the extent that Britain has just brought off a remarkable feat of conventional force projection a long way from home, their arguments may well be supported by those in Washington who set most store by the ability of the allies to support Alliance activity outside the Nato area.

Fourth, there is the question of Britain's conventional forces in Germany. In the last defence review, Mr Nott cut the navy rather than BAOR, at least partly in order not to upset the Germans. But the growing intellectual debate over the viability of Nato's nuclear doctrine of flexible response is pushing us towards the question whether we can afford not to *increase* our conventional forces in Germany.

Gen. David Jones, the retiring chairman of the U.S. Joint Chiefs of Staff, is only the latest authoritative figure to cast doubt on the possibility of containing or limiting nuclear war. The danger that any conflict on the central front just might lead to all-out nuclear war may be enough to deter the Soviet Union from starting anything.

But western governments will find it increasingly difficult to claim plausibility and thus popular support for a defence strategy which is denounced by the military experts; conversely, if public opinion is offered a credible third alternative to suicide or surrender, it may be prepared to accept the costs of the alternative.

The fifth consideration is the Trident submarine launched ballistic missile system. This is partly a question of cost, but it is also, or may become, a question of nuclear arms control. If the Strategic Arms Reduction Talks (Start), which begin next week, make any progress along the lines of President Reagan's radical proposal, there will be a stark contrast between American plans for deep cuts in the nuclear arsenals of the two superpowers, and Britain's plans for a steep increase in the number of its war heads. Britain's acquisition of a Trident force could seriously aggravate the negotiation of a superpower agreement.

The men in blue will be vociferously demanding a reversal of the Nott policy of cutting back Britain's surface fleet

On the face of it, it is simply implausible to suppose that Britain can satisfy all five lobbies; even with substantial real increases in defence expenditure, Mr Nott was forced to cut back on the navy because the cost of advanced defence equipment rises so much faster than the normal rate of inflation that bankruptcy was staring him in the face. Something will have to give.

A review of the Trident decision, it may be argued, is least urgent, because the really big lumps of expenditure do not arise until later in the decade.

Nevertheless, deferral is not really a satisfactory policy. The assumption of Trident implies preparatory programmes on infrastructure, like shipyards, and the assignment of design teams to the technology of the system; and planning for Trident means not planning for other forms of defence expenditure.

As a paradigm for the future shape of Britain's navy, the Falklands war has been almost entirely misleading. American advocacy for out-of-area capability was based on the notion that at least some of their European allies should be prepared to help them fight off a Russian threat in the Third World, especially if that threat were aimed at the security of the West's oil supplies from the Gulf. Yet recent events in the Gulf put an entirely new complexion on the question; would the U.S. contemplate force against the Iranians if they tried to use the oil weapon against the West?

On the other hand, the taking of the Falklands demonstrated the general principle that, whatever the virtues of nuclear deterrence, the only usable force is conventional force.

The one gratuitous item in the list is number two — the defence garrison for the Falkland. In the immediate aftermath of the war, some military presence is unavoidable. But the more harshly Mrs Thatcher rules out any future formula which could lead to an accommodation between the Argentine and the islanders, the more certain is it that the British defence effort in the South Atlantic will have to be large and permanent.

Unless Mrs Thatcher supposes that Britain's defence budget can be stretched without limit in every direction, she faces three options, which may be crudely summarised: imperialism, the defence of the Falklands and a big surface navy; Gaullism, with Trident; or European solidarity, with more emphasis on money for a plausible posture in the central front. Unfortunately, all her worst instincts seem to point in the direction of a combination of imperialism and Gaullism.

Letters to the Editor

Victory in the Falklands—courage for the next steps to peace

From Dr P. Rogers

Sir — During the period of elation following the taking of Port Stanley, it is tempting to see the Falklands conflict as a brilliant victory for Britain. It is a temptation which should be resisted.

The task force of some 30 warships was twice the size of the entire Argentine navy. It was backed up by another 70 ships and the total personnel involved outnumbered the Argentine forces on the Falklands by nearly 3 to 1.

Furthermore, our forces were among the best equipped in the world, facing Argentine forces which, with very few exceptions such as the Super Etendard/Exocet combination, were relatively obsolete. Our nuclear-powered submarines, for example, were a generation ahead of anything in the Argentine navy and effectively bottled up that navy in port.

True, we were operating at a considerable distance from home bases, but we did have a safe anchorage at South Georgia for most of the conflict whereas the Argentine air force had to operate at the limits of its range.

Given these circumstances the size of our losses gives no cause for satisfaction. Our casualties included nearly 250 men killed, more than ten times as much as at Suez. We lost four warships and had a further five badly damaged (HMS Glasgow, HMS Glamorgan, HMS Argonaut and two so far un-named frigates).

Two logistic support ships and a major merchant ship were lost and Press reports indicate at least five other ships damaged. We lost eight fixed-wing aircraft and at least ten helicopters. In monetary terms, British losses exceeded £600m, far higher than those of Argentina.

All this simply does not square with talk of outstanding military success and it raises awkward questions of both a specific and a general nature. They concern such matters as the material used in modern warships, the inadequacy of area and point defence systems, the acute lack of long range radar warning systems and the failure, despite repeated attempts, to destroy the Port Stanley airstrip.

At a more general level we are now finding that by winning a military victory on the Falklands, we are committed to maintaining considerable forces there for the indefinate future because our Government's attitude allows no compromise. Even at this moment of apparent victory, I would maintain that responding to the Argentine invasion with massive military retaliation was a mistake. It may have set us up well for winning the first Falklands war but, with further conflict to come, it made a permanent settlement far more difficult.

What is now required is the courage to take the steps necessary to negotiate a lasting peace.

(Dr) Paul Rogers.
School of Peace Studies,
University of Bradford,
Bradford, West Yorks.

Humanitarian aid in Vietnam

From Mr M. Bax

Sir,—It is encouraging to see your attention has been turned, through the excellent series of articles by Alain Cass, to the sad plight of Vietnam.

The voluntary agencies in Britain which support both refugee work and small aid programmes in Vietnam have for several months been urging the British Government to reconsider its withdrawal of aid and to support the French proposal for EEC humanitarian aid. But so far nothing has been done. Apparently, even the continuation of the English language teaching programme is regarded as too generous.

Martin Bax.
Christian Aid,
240-250, Ferndale Road,
Brixton, SW9

Accounting and inflation

From Mr D. Heady

Sir,—The Financial Times seems to have become a forum for infighting about the details of current cost accounting (Lex, May 27; Letters, June 7 et al). Both the proponents and opponents of CCA seem to have lost their ways. Each bases his arguments on the flimsiest of evidence. Each probably has a thick file and many statistics to support his views. Neither has all the available evidence. Even the Institute of Chartered Accountants in England and Wales does not have all the evidence—how can it after less than two years of a three-year experimental period? "Those people who now proclaim most loudly the virtues of SSAP 16" are every bit as wrong as those who wish "to banish for ever the useless hot air that is SSAP 16." It may transpire that the "sprinkling of flat earth company chairmen" are right or that the "high priests" of the ICA council (whoever they may be) will prove to be right. I doubt if either can be entirely right, but conclusions cannot yet be drawn.

I am saddened to feel obliged to write this letter. In 1977 I strongly supported those two extremely clever and eloquent chartered accountants, David Keymer and Martin Haslam, by obtaining signatures for them to requisition an ICA meeting, by writing letters of support and by speaking in their favour. On this occasion I oppose them. I oppose them not because I am a member of the ICA council (since last year) but because they are wrong to take action in the middle of an experimental period and to waste thousands of pounds of institute members' money in the process. The right time for their action was when the draft SSAP 16 (ED 24) was published in April 1979 or they should leave it to the end of the experimental period. If then the wrong decisions are made, it is then and in that sort of situation that they would have my full support and find that not all members of the "establishment" are necessarily so established. In fact they might even find that by then CCA had destroyed itself to be replaced by something which would appeal to all who are concerned with the effects of inflation (whether at 2 per cent or 200 per cent) which principal effect for most businesses is the depletion of capital.

In many respects it may be that SSAP 16 should not have escaped captivity, but it did and Messrs Keymer and Haslam appeared then not to have tried to stop it. In those circumstances and bearing in mind that it affects so few (probably less than ½ per cent of all accounts prepared) then let us leave it alone.

D. E. Heady,
87 Western Road,
Romford, Essex.

From Mr M. Robins

Sir,—Many accounting standards are conceptually weak. For example SSAP 4 treats government grants not as they manifestly are, a source of capital, but as deferred income. SSAP 6 enables companies to report profits or losses before (invariably substantial) costs outside of the supposed ordinary activities of the business. Such costs should rightly be included in the profit before tax and appropriately noted. SSAP 9 insists that overheads are attributed to stock on the basis of "normal" activity. Normal is subjective whereas actual is factual. SSAP 10 confuses trading flows with funding. Cash flow statements should exclude all items of funding and the standards' requirement for an analysis of change in working capital should be replaced by analysis of change in all categories of funding. SSAP 16 is the daddy of them all and is a nightmare. Even sophisticated commentators get confused. Lex (May 27) suggests that stock profits are not "genuine profits." They manifestly are genuine but are involuntary (being a function of stockholding, and inflation) and are not distributable. Because profit is fortuitous it does not cease to be profit.

The way out of the impasse created by over a decade of authoritarian standard setting is to abolish the accounting standards committee forthwith.

Each business must reason out its own accounting policies and clearly disclose them. Each auditor must answer for himself to the question "what is truth?" and not slavishly follow ill-thought-out standards.

M. J. Robbins.
14 Blunsdon Road,
Haydon Wick, Swindon.

From Mr A. Ferguson.

Sir,—Mr Dickson (June 15) asks, in effect, if companies which distribute more than their current cost accounting profits are distributing their real capital and then re-financing it, and also he asks, if so, why? His apparently simple question goes to the roots of some important issues. The answer to his first question is that in most cases they are doing just this. The reason that one can only say "in most cases" should become apparent from my explanations as to why this is being done at all.

In the first place CCA accounts are still on trial, and one can argue about their objectivity, so companies feel free to do whatever they think is likely to meet with most approval by investors. Investors (including pension funds) favour high distribution because it allows them to extract some money from their investments, without having to wait until the volatile share market is looking good. Note too that if one invested £100 ten years ago, and it has increased to £498 today it would merely have the same real value after paying the £119 CGT due, so tax efficiency has not been entirely on the side of low distribution.

In the second place CCA profits are not such a good guide as current purchasing power profits would be, as to what a company should distribute. If all the raw materials a company uses increase in real value this will diminish the amount left over after allowing for the company to continue as before. CCA measures this as a decrease in profits. CPP on the other hand looks at things from the shareholders' point of view, and will indicate (I think more usefully) that the company requires more capital to maintain the same level of business, instead of showing a decrease in profitability.

A. B. B. Ferguson.
11 Harcourt Close,
Henley-on-Thames,
Oxon.

Exports to Nigeria

From the Chairman,
Westgate Shipping

Sir,—Your Africa Editor (June 11) rightly draws attention to the problem for British exporters arising from the confusion over the Nigerian deadline for the despatch of imports.

He is wrong, however, to say that Baco Liner 2 did not leave Hamburg until May 16. This company had arranged for consignments of British exports to be loaded on Baco Liner 2 for despatch from Hamburg before the closing date. This was achieved, the vessel sailed before midnight on May 15, and these consignments received a clean bill.

Nigeria's austerity measures have caused concern, but they will in our view safeguard the Nigerian economy to the ultimate advantage of British exporters, who retain a powerful grip on this market.

Tom Hodge.
33, Porkgate Road, SW11.

The state of Israel

From Mr C. Jacobs

Sir,—The avowed policy of the Palestine Liberation Organisation has been and still is, to eliminate the state of Israel. I wonder what Ian Davidson (June 16) would have written if that event took place? Mr Begin decided not to wait for Mr Arafat to carry out that threat. Mr Arafat's cowardice in placing his Soviet-armed troops in the middle of the Lebanese civilian population, is something which he has to answer for.

C. M. Jacobs.
24, Boyton House,
Wellington Road, NW8.

Chamberlain Phipps sharply higher

THE CONFIDENCE expressed by the chairman of Chamberlain Phipps midyear that the group's recovery would continue through the second half has been borne out. Taxable profits for the second six months improved from last time's £1.12m to £1.81m and helped lift the total for the year ended March 31 1982 by £1.38m to £3.23m, an increase of 74 per cent.

Stated earnings per 10p share emerged well ahead at 7.19p (4.82p) and the dividend is being raised from 3.1p to 3.3p net by a final of 2.2p.

Mr W. R. Chamberlain, the chairman, says the recovery reported last November was maintained through the second half despite the continuing recession both at home and overseas.

He points out that while sales for the year were very similar to the previous year's (they came through at £66.53m against £62.67m) profit margins improved. At the trading level, profits rose by 46 per cent to £3.92m (£2.68m).

The pre-tax surplus included a share of profits of associates, higher at £36,000 (£26,000), and was after net interest charges of £726,000 (£853,000).

Tax jumped from £553,000 to £1.28m and minorities accounted for £202,000 (£142,000). The attributable balance was sharply higher at £1.35m (£300,000) after deductions for profit sharing share scheme, £54,000, against 34,000, and extraordinary costs of £348,000 (£827,000). Dividends will absorb £796,000 (£730,000).

The chairman says it is difficult to find evidence of an improvement in the UK economy, explaining that the markets in which the group operates remain, by and large, depressed. He adds that he is concerned about economies in other countries, in particular, North America. However, although in his opinion the world economy remains unpredictable, providing current trading conditions do not deteriorate, the chairman is confident the group will make further progress during the current year.

The directors' general strategy will be to maintain the group's strong position as a supplier to the UK footwear manufacturing industry and at the same time use its specialised expertise to develop profitable investments in other countries where footwear manufacture is sufficiently important.

In addition, they will continue to invest in and strengthen the various activities of the group which have been developed in the UK with a number of other industrial markets.

All the group operating divisions contributed to the improved results with the general industries division showing a substantially improved performance which gives encouragement for the future.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Chamberlain Phipps	2.2	Aug 24	2	3.3	3.1
Delyn Packaging	1	Aug 20	nil	1	nil
Property Partnerships	3.1	Aug 2	2.75	5.6	5
Walker and Staff	1.35	—	1.35	1.35	1.35
Whitecroft	3.1	—	2.6	4.5	3.85

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock.

● comment

Chopping back loss making activities has enabled Chamberlain Phipps to make good headway in repairing margins and profits. Pre-tax there is a 74 per cent advance over the previous year's decimated outcome. The most marked of the divisional improvements came from general industries where trading cision components. As in past margins more than doubled to 6.7 per cent. But its growth may be limited by heavy dependence upon orders from Ford for pre-years Chamberlain is pinning its hopes on expansion in the industrial adhesives market. Over-particularly in the Farst East, seas trading has been buoyant, Chamberlain has high hopes of breaking into the mainland China market for resin rubber through its 75 per cent owned Hong Kong associate. Borrowings rose by 27 per cent to £5.658m last year lifting capital gearing from 32 to 40 per cent. Up 1p to 51p the shares yield 9.4 per cent.

Whitecroft more than doubles to £3.57m

PRE-TAX profits of Whitecroft, a holding company with interests in textiles, building supplies and engineering, expanded sharply from £1.73m to £3.57m for the year to March 31 1982 after taking account of interest charges of £1.14m, compared with £2.22m.

Mid-year profits were well ahead at £1.57m (£875,000) and a successful outcome for the full year was anticipated.

Stated earnings per 25p share for the full period advanced from 7.58p to 11.83p and an increased final dividend of 3.1p (2.6p) lifts the net total to 4.5p (3.85p).

At the attributable level there was a turnround from a deficit of £2.59m to profits of £1.99m after allowing for higher tax of £1.1m (£123,000), minority debits of £6,000 (£7,000 credit) and a substantial reduction in extraordinary charges from £4.21m to £473,000 being mainly losses on closure and reorganisation of subsidiaries less surpluses on sales of subsidiaries and properties. Full-year turnover slipped from £89.46m to £86.7m.

Net asset value per share was 112.19p (106.96p). On a CCA basis pre-tax profits were £1.83m (£547,000 loss).

● comment

With income gearing more than halved at 24 per cent, and the absence of £4m of extraordinary costs, Whitecroft has swung back to attributable profits. Cost cutting, too, with about 600 redundancies, has had its desired effect, with trading profits up 20 per cent. Moorlite has once again been the strongest growth area, and seems to have been responsible for over 80 per cent of the £2.24m profits from engineering. However the return from Building and Engineering Supplies is still inadequate, and though the market's regard for margins appears to less scant, strong recovery seems most unlikely. Whitecroft had been on a four-year profits plateau before last year's collapse, and the company's current number one objective is to get back to that level of around £5 pre-tax, though this is unlikely to be achieved this year. Having put down the axe, acquisition might be the key, as Moorlite has done its best to prove. After the results the shares gained 2p to 68p, just short of a high for the year, and yielding 10 per cent on the increased dividend.

Malaysianisation impact on Harrisons & Crosfield

A CONSIDERABLE impact is expected by Harrisons and Crosfield following the implementation of its Malaysianisation deal, according to Mr Thomas Prentice, chairman in his annual statement.

Subject to shareholders' approval the group has agreed to sell to the investment agency, Permodalan Nasional Berhad, part of its controlling interest in Harrisons Malaysian Estates. Under the deal, announced earlier this month, the holding will be reduced from 80.8 per cent to 30 per cent.

A pro-forma profit and loss account has been drawn up for 1981 based on the assumption that the proposals had taken effect on December 31 1980. Compared with the published accounts turnover is shown as sharply lower at £748m against £814m.

However, pre-tax profits are little changed at £47m (£47.2m) after associates are shown to contribute more at £9.8m (£4.4m) and net interest is given as receivable at £3.3m (payable £2.4m). These accounts assume that UK bank loans and interest charges of £5.4m have been eliminated by the proceeds of the sale and that HME is treated as an associate.

Earning per share are given as rising from 37.1p to 44.9p.

Mr Prentice reports that the company will receive £150m for about 50 per cent of the shares of HME, before any costs of realisation. Liability for capital gains tax is estimated to be not more than £28m of which a large part will not be payable until July 1 1984.

World trade remains depressed, according to Mr Prentice and so far in 1982 he says that there is little evidence of increased economic activity in the industrialised countries. While community prices and in particular those for rubber, remain depressed, plantation crops have ben higher to date in 1982.

He reports that timber and building supplies have had a difficult start, because of the severe winter, but has now recovered.

Shareholders' funds at the end of December 1981 stood at £266.33m (£210.32m) and fixed assets at £215.19m (£122.51m). Net current assets were little changed at £103.68m (£106.28m).

Meeting: The Baltic Exchange, 14-20, St Mary Axe, EC, July 15 at 11.15 am.

See Lex

Brit. Benzol recovery continues

FOLLOWING A return to profits taxable at the half year stage of £92,000, against losses of £1.29m, coke and smokeless fuel manufacturer British Benzol Carbonising continued the recovery with profits for the year to March 31 1982 of £183,000, compared with losses of £2.65m. Sales for the 12 months fell from £13.7m to £8.59m.

Dividend payments are again being missed, even though the group returned to stated earnings per 10p share of 1.6p (26.4p losses).

During the year borrowings declined from £1.32m to £177,000 and shareholders' funds rose from £715,000 to £1.49m. Stocks fell from £682,000 to £330,000 including finished goods of £48,000.

The directors say production volumes increased materially, product quality is at a very high level and the group has had some success in widening its market. The company is immeasurably stronger than seemed likely only 12 months ago, and they look to the longer term future with confidence.

There was no tax charge (£58,000 credit) and after extraordinary debits of £27,000 (£1.47m) the attributable profit came to £156,000 (£4.06m losses).

Current cost adjustments reduced the attributable profits to £51,000 (£3.9m losses) and earnings per share to 0.7p (27.1p losses).

● comment

Now just a third of the company it once was, British Benzol is at least back in the black. The company appears to be off the critical list thanks to loss-elimination and improved productivity, but shareholders' funds are still only 30 per cent of what they were two years ago. Investigations on a possible expansion into the domestic smokeless fuel market continue, but any solid recovery by the company still awaits the release of the UK economy from its recessionary sick-bed. The shares went up ½p to 11½p yesterday. The market capitalisation is £1.6m.

Allied Designers at £138,000

INCREASED pre-tax profits were shown by Allied International Designers Group for the six months to April 30 1982. The surplus rose from £84,000 to £138,000 on turnover higher at £1.7m against £938,000.

There is no interim dividend for this USM stock but the final payment is expected to be not less than 0.5p (0.3p).

Attributable profits in the second half when the directors say a full six months contribution from MAS Survey Research (acquired in April) will be included, should increase by at least 33 per cent to £184,000—or better.

Mr James Pilditch, chairman, points out that in his last annual report he "stated that 1982 would be a year of growth and results would show in the second half of the year."

The figures of this design and product development group include the results of MAS for the period April 5 to 30. If the results of MAS were included for the six months to April 30 turnover would be £2.41m and profit £184,000.

The directors report that the considerable interest being shown in the Husky computer is being translated into firm orders—one department of the Ministry of Defence has issued a letter of intent for a significant number of units.

The directors are also pleased by the immediate demand for two new market research services which were established with lower setting up costs than expected.

Looking ahead, the directors say they are actively pursuing further aacquisitions.

All the subsidiaries improved their profit performance against the same period last year.

Excluding the results of the MAS acquisition turnover and profits compared with the same period last year rose by 69 per cent and 61 per cent respectively. This was after writing off all research and development expenditure, while the value of work done on a speculative basis for a licensing subsidiary has been ignored, but will be assessed when the annual figures are finalised.

Tax for the period took £72,000 (£44,000) and after minorities attributable profits emerged at £65,000 (£40,000).

● comment

AID appears poised for take-off. Turnover is now running at an annual rate of £3.7m while the MAS acquisition assures that pre-tax profits for the full year will be about three times last year's £141,000. The company looks set for a full Stock Exchange listing next year. In the meantime, it is pursuing an active acquisition policy, targeting the U.S. and the Far East as likely spots for expansion. With a promising portable computer in its stable and growing strength in market research, AID is a stock to watch. Shares yesterday closed at 30½p where the market capitalisation is £3.12m.

SPAIN

June 18	Price %	+ or —
Banco Bilbao	355	
Banco Central	337	−2
Banco Exterior	306	
Banco Hispano	316	
Banco Ind. Cat.	113	
Banco Santander	348	−5
Banco Urquijo	187	−2
Banco Vizcaya	369	
Banco Zaragoza	245	
Dragados	126	−4
Espanola Zinc	69	−1
Fecsa	65.5	−0.7
Gal Preciados	33	
Hidrola	62.2	−0.8
Iberduero	51	−1
Petroleca	81.5	
Petroliber	101	
Sogefisa	7	
Telefonica	70	
Union Elect.	53.7	

Property Partnerships downturn

TAXABLE PROFITS of Norwich based Property Partnerships slipped from £737,000 to £711,000 in the year to March 31 1982, while the stated earnings per 25p share fell from 9.9p to 9.4p.

The year's dividend of this group which develops and owns commercial properties for investment in the principal towns of East Anglia is being raised from 5p to 5.6p net per share with a final payment of 3.1p (2.75p).

A valuation of the group's investment properties as at the year end, by a chartered surveyor, came to £10.54m (£10.02m). Net assets per share, before deducting the potential liability to capital gains of 76p, were 375p.

Tax took £377,000 (£387,000) and there was a transfer to the asset replacement reserve of £60,000 (£50,000).

At the half year stage the group was already behind with pre-tax profits of £347,000 (£356,000).

George Wimpey faces further difficult year

SIR REGINALD SMITH, chairman of George Wimpey told shareholders at yesterday's AGM that the group's base was stronger than ever, while many of the factors affecting the performance during 1981 still prevail.

The reduction in inflation in the UK boded well for the future, he said, but the level of public spending on building and civil engineering remains depressed. Meanwhile high interest rates persisted in America.

While being cautious the company would continue to invest and is well placed to take advantage of any upturn in the U.S.

Wimpey Homes' new marketing initiative had led to an improved selling rate assisted by lower mortgages and the introduction of new house types. But this year's results would still feel the impact of lower sales towards end of 1981, he said.

The world oil surplus had caused some countries to reconsider planned expenditure based on oil revenues. This had increased competition

The group's order book was at a satisfactory level and Sir Reginald was more confident than ever that Wimpey would maintain its pre-eminent position in the construction industry. However, 1982 was proving to be another difficult year.

Buckley's Brewery sees little change in volume

Mr W. K. Buckley, chairman of Llanelli-based Buckley's Brewery, tells shareholders in his annual statement he cannot see the company's sales volume moving upwards significantly until its customers are able to earn enough to let them invest more in enjoyment and relaxation.

This will not occur until there is an industrial revival in the brewery's trading area which will need Government assistance he says. He points to unemployment levels in the area where in the Amman Valley, for instance, it stands at 25.4 per cent and at Garnant at 46 per cent.

As reported on May 26, the company's pre-tax profits for the 53 weeks to April 3 1982 were little changed at £1.1m (£1.02m), and the year's dividend was maintained at 2.35p net per 25p share. Current cost adjustments reduced these profits to £852,8[illegible] (£790,612).

At the year-end an independent professional revaluation of the company's properties revealed a surplus of £1.08m which was transferred to reserves.

Shareholders' funds stood at £10.99m (£8.31m) and loan capital at £110,000. Fixed assets were valued at £9.76m (£7.87m) and net current assets came to £557,928 (£181,275 liabilities). During the year there was an increase in cash resources of £596,000 (£255,000 decrease).

Meeting: Dyfed, July 9, at 10.45 am.

London Life bonus rise

London Life Association has increased its terminal bonus rates. For policies which become the subject of a claim by death or maturity, or annuities vesting, between July 1 and December 31, 1982, the following rates will apply:

For the 6th-68th series a terminal bonus of 0.9 per cent of the sum assured for each complete year from the closure of the series in which the policy was issued to December 31, 1982, with a maximum of 30 years

For the 69th and subsequent series a terminal bonus of 0.72 per cent of the sum assured will be paid for each complete year the policy is in force.

A terminal bonus of 47 per cent of existing reversionary bonuses attaching to the policy, with a maximum of 86 per cent of the basic sum assured, cash option or annuity.

A special bonus annuity will be added to each policy under which an annuity becomes payable in the second half of 1982 of 33 per cent of the existing bonus annuity.

Standard Fireworks improvement

Pre-tax profits of Standard Fireworks advanced from £799,681 to £895,959 in the 12 months to March 31, 1982, and the year's single dividend payment is being raised from 5p to 6.125p net per 25p share.

At the trading level the profits of this firework maker moved ahead from £706,222 to £780,639, while after tax they emerged at £529,504 (£469,324).

Current cost adjustments reduced the taxable figure to £884,155 (£610,885).

Walker and Staff ahead: dividend held

Higher pre-tax profits of £94,000, compared with £70,000, are reported by Walker and Staff Holdings for the 12 months to March 31, 1982 and, as anticipated, the company is maintaining its net dividend at 1.35p

Turnover for the year rose from £2.92m to £3.33m—the group is a stockist and distributor of engineering supplies. Tax took £26,000 (£17,000) after which stated earnings per 5p share came through at 3.02p (2.34p).

Delyn Packaging expands to £157,000 at year end

AN UPWARD trend was predicted at the interim stage by the directors at Delyn Packaging and in the event the final results showed pre-tax profits expanding from £19,000 to £157,000. Turnover for the year to January 31 1982 was reduced from £6.56m to £5.11m.

The directors have decided to restore dividend payments—the last payment was in 1975—and a total of 1p net has been declared. Earnings per 20p share are given as rising from 0.9481 to 7.8048p.

The directors say that the Caerphilly premises which were severely damaged in January were held on a long lease at an annual rental of £65,000. The insurers have agreed an indemnity settlement based on rebuilding costs which has been applied to both to the lease and also to the erection of a new factory of about 42,000 sq ft.

Pre-tax profits were struck after lower interest charges of £117,000 (£211,000) and an exceptional debit last time of £1,000.

Tax this time took £2,000. There were extraordinary credits of £407,000 (debits £15,000) which relate to the surplus from the insurance settlement.

UK COMPANY NEWS

'Bulldog' of £100m from New Zealand

NEW ZEALAND has launched a £100m "bulldog bond," its first fixed-interest sterling issue in a decade. A bulldog bond is a domestic sterling debenture for a non-UK borrowers.

The issue, managed by S. G. Warburg, is £25 per cent partly paid; the balance is payable on September 20. The issue yield will be fixed on Wednesday and will provide a margin of ⅜ per cent above the mean of the gross redemption yields on the 13¼ per cent Exchequer Stock 1987 and the 12 per cent Treasury Stock 1987.

Brokers to the issue are Scrimgeour, Kemp-Gee and Rowe and Pitman.

Good start for Shiloh Spinners

According to management accounts, Shiloh Spinners, the spinning, cotton, wool group, was operating on a profitable basis in the first 10 weeks of the current year, Mr Edmund T. Gartside, chairman, told members at the annual meeting.

He added, however, that there were still grounds for caution, as there was no basic underlying improvement in the overall economic outlook, and the spinning side still had problems.

The main subsidiary, WM Supplies (UK) had made a good start to the year and prospects for continued growth in both profits and turnover were encouraging.

For the year ended March 27 1982 turnover was static at £8.54m (£8.53m) while pre-tax losses were reduced from £293,542 to £166,246.

Ronson denies any current talks with F. W. Woolworth

Mr Gerald Ronson, chairman of Heron Corporation, one of the UK's largest companies, said yesterday that his group had been in talks with F. W. Woolworth, the retailer, with a view to doing a deal last October. But the discussions came to nothing and no talks have been in progress this year.

Responding to reports that he was involved in talks with Woolworth, Mr Ronson confirmed that talks had taken place. He said that the U.S. parent of Woolworth planned to reorganise the UK operations in which his business interests would have participated in a newly restructured UK group. The plan was not pursued.

On his group's other business fronts Mr Ronson said that his mortgage banking operations were financing 75 per cent of a $25m property development in Arizona. But he stressed it was a normal commercial financing operation rather than a direct involvement.

Commenting on speculation that he was poised to bid for UDS, the retailing chain, he said: "I am not making any bid and we do not own any shares."

SCOTTISH ROAD

Kitcat and Aitken, acting on behalf of National Freight Company, has acquired over 300,000 Scottish Road Services 7 per cent Cumulative Preference shares at 57½p but the offer remains open.

National Freight owns all Scottish Road ordinary, but none of the Preference shares. They wish to acquire a sufficient proportion of the Preference shares for fiscal and administrative reasons. Offer remains open until July 2 and may be extended.

BIDS AND DEALS

Imperial Group plans to sell plastics offshoot

Imperial Group yesterday announced plans for a further slimming of its much-reduced paper, board and plastics division.

Discussions are being held with an unnamed overseas company which may lead to the sale of Plascoat International and its subsidiaries operating in a number of areas of plastics conversion.

Plascoat achieved pre-tax trading profits of £796,000 in the year ended October 31 on turnover of £25.6m and accounted for nearly half of the division's turnover of £61.9m. It employs 1,400 people at 20 factories in the UK and abroad.

In its 1980-81 annual report Imperial said that Plascoat's activity levels had been severely depressed although the fourth quarter had shown some improvement.

Imperial has been cutting back its paper, board and packaging activities in recent years, closing its loss-making St Anne's Board Mill and selling its half-stake in Mardon Packaging International to the other shareholder BATs.

The other remaining company in the division, Robert Fletcher and Son, performed well last year though weak demand for lightweight papers led to the closure of two smaller machines. However, Fletcher ha a strong link with Imperial's tobacco activities in producing cigarette papers.

The proposed sale of Plascoat came as no surprise given the recent run-down of this division, said one analyst. The division is too small to be worth much management time, he commented.

BUNZL/BEMROSE

Bunzl, the paper and packaging group, yesterday sent another letter to shareholders of specialist printer Bemrose Corporation in support of its contested bid for the company.

In a letter to Bemrose shareholders Bunzl advanced what it called "substantial reasons" for accepting its bid, which reaches its first closing date tomorrow.

Bemrose's rejection document paid little regard to the advantages which a link up with Bunzl would offer, Bunzl said.

Commenting on the Bunzl document, Bemrose chief executive, Mr David Wigglesworth said: "It does not amount to much." He pointed out that Bunzl's own figures showed the convertible loan stock offer had declined in value

THE ECONOMIST

The Economist Newspaper has acquired Crawford Publications which publishes Crawford's Directory of City Connections. Jonathan Crawford remains managing director of the new subsidiary and continues his independent role as editor of Crawford's

Crawford's Directory of City Connections lists, for each British quoted and unquoted company covered, their stockbrokers, financial advisers, auditors, solicitors, insurance brokers and financial public relations consultants; substantial shareholders being included for listed companies only and ultimate holding companies overseas for direct UK unquoted subsidiaries.

Heywood Williams restaurant disposal

Heywood Williams has disposed of its wholly owned subsidiary, 55 Water Street restaurant, for $1.6m (£919,540) cash.

Net profit of Water Street for 1981 was $208,000 and net assets were $486,000. Water Street was the last of Heywood's American restaurant operations and those interests remaining in the U.S. are relatively small property investments.

Proceeds of the sale will be used to reduce bank borrowing.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: — Ashdown Investment, Countryside Properties, J. and H. B. Jackson, Lookers

Finals:—Burnett and Hallamshire, Centrovincial Estates, Charter Consolidated, GEI International, Globe Investment Trust, Gresham House Estate, Hambros, Hargreaves, Minerals Oils and Resources, Racal Electronics, Wintrust

FUTURE DATES

Interims:—

Burns-Anderson .... June 30
Glasgow Stockholders Trust .... July 16
Throgmorton Trust .... June 30
Whatlings .... June 24

Finals:—

Ansbacher (Henry) .... June 24
Bell and Sime .... June 23

SHARE STAKES

Stormgard—Chantress has an interest in 1,562,360 ordinary shares following the recent reorganisation.

Caparo Industries — Caparo Group has purchased 250,000 shares, making holding 23,492,750 shares.

North Atlantic Securities Corporation—Colonial Mutual Life Assurance Society and its subsidiary—Colonial Mutual Life (Pension Annuities) — hold 945,000 ordinary shares (5.1476 per cent).

Hargreaves Group—Britannic Assurance is interested in 4,446,666 ordinary (12.6 per cent).

Breedon and Cloud Hill Lime Works — National Coal Board Superannuation and Pension Schemes have disposed of 243,000 ordinary shares, reducing holding to 312,999 ordinary shares (6.44 per cent).

Reo Stakis—Mrs Annitsa Stakis has sold 1m ordinary, thus reducing her holding to 5.2 per cent, and the deemed interest of her husband Mr Reo Stakis, chairman, to 14.5 per cent.

Matthew Brown — Britannic Assurance is interested in 2.02m ordinary, 9.87 per cent).

London and St Lawrence Investment Company—Moorside Trust has disposed of its holding amounting to 1,586m ordinary shares (8.429 per cent). Sun Life Assurance Society is now interested in 1.56m ordinary (8.291 per cent).

Edward Jones Group—Centreway Industries has purchased 25,000 ordinary shares, making interest 540,000 ordinary shares (12.6 per cent).

Anvil Petroleum — Finance and Investment International bought 40,000 shares, making holding 995,408 shares.

Scotcros — On June 9 James Finlay purchased 25,000 ordinary and now holds 444,000 (6.35 per cent).

Cambridge Petroleum Royalties—Imperial Life Assurance Company of Canada owns 419,040 shares (8.38 per cent).

Northern Goldsmiths—Samuel Montague on behalf of a client has bought 5.9 per cent of the ordinary.

Deritend Stamping—Britannic Assurance's interest is 1,070,700 shares (20.36 per cent).

Hill Investment Trust — Prudential Corporation now holds 7,433,490 ordinary shares representing 7.688 per cent.

Stewart Wrightson—Prudential Corporation is interested in 983,550 (5.32 per cent) of ordinary shares.

Vosper—Sir David Brown, as a result of dealings, is interested in 2,472,831 ordinary shares.

Tribune Investment Trust — Airways Pension Fund trustees bought 275,000 ordinary on June 17 1982 and now holds 1,945,000 ordinary (7.59 per cent).

Aberdeen Construction — Aberdeen Trust increased its holding of ordinary shares to 790,000 (7.16 per cent). Holding prior to this was 750,000 shares (6.8 per cent).

Scottish Ontario Investment — Courtaulds Pensions Common Investment Fund now holds 6,380,000 ordinary (23.1 per cent). The shares are held in the name of the nominee company Courtaulds CIF Nominees.

Crystalate Holdings—Mr John Basil Leworthy, chairman, has sold 40,000 ordinary shares.

The British Printing and Communication Corporation — Pergamon Press purchased a further 400,000 ordinary on June 17 which brings its holding to 92,585,214 (77.741 per cent). shares purchased at 35.25p.

Dixons Photographic—Prudential Corporation is interested in 3,013,367 ordinary shares (5.99 per cent).

Brown and Tawse—Mr J. P. Kyd is now interested in 679,795 ordinary (6.55 per cent).

Westwood Dawes and Co—Mr R. Allsop has purchased 213,052 ordinary. This is in addition to his existing holding and also to that of his wife, Mrs Y. E. Allsop and stepson Mr William Davies.

W. H. Smith and Son—Mr G. J. Chandler, director, acquired 60,000 "B" ordinary at 39p.

Steinberg Group—Mr J. Steinberg disposed of 100,000 ordinary at 30p.

Samuel Properties—Mr S. Cowan sold 75,000 ordinary at 87p.

London and Scottish Marine Oil—Cawoods Holdings disposed of 6,118,052 ordinary on June 11 thereby reducing their interest in the issued share capital of this company below 5 per cent.

Continental and Industrial Trust—Pearl Assurance holds 975,000 ordinary shares (5.8 per cent).

BR Dredging—Colguy Holdings, following further purchases, now holds 2,428,281 ordinary shares (14.72 per cent).

Brammer (H.)—Prudential Corporation has increased its holdings of ordinary shares to 2,387,188 shares (8.53 per cent).

Scotcros Holdings—Mr James Finlay purchased a further 400,000 ordinary shares in Scotcros and now holds 844,000 (12.06 per cent).

Cliffords Dairies—Prudential Corporation is interested in 110,000 ordinary shares (6.3 per cent).

Clyde Petroleum—Dr C. B. Phipps, a director has sold 100,000 ordinary shares.

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$300	49	14 B	13	27.50	8	36	$296.50
GOLD C	$325	68	6	31	16	—	—	"
GOLD C	$350	33	3.80	86	11	2	17	"
GOLD C	$375	—	—	1	7	—	—	"
GOLD C	$400	10	0.30	49	3.50	—	—	"
GOLD P	$300	56	16	41	20	37	25.50	"
GOLD P	$325	56	30	29	34	1	35	"
GOLD P	$350	50	50	—	—	—	—	"
GOLD P	$375	5	77	—	—	—	—	"
12¾ NL 81 87-91								
C	F.107.50	69	2.50	—	—	—	—	F.110
C	F.110	25	1.20 P	—	—	—	—	"
C	F.112.50	400	0.50	—	—	—	—	"
P	F.107.50	10	0.50	—	—	—	—	"
P	F.110	160	1.20	485	2.20	—	—	—
P	F.112.50	52	3	—	—	—	—	"
12 NL 81 85-88								
P	F.102.50	10	1.20	—	—	—	—	F.103.40
10¼ NL 80 86-95								
C	F.100	20	0.60	—	—	—	—	F.98.70
C	F.105	—	—	20	0.50	—	—	"
P	F.97.50	46	0.80	—	—	—	—	"
P.	F.102.50	25	3.90	—	—	—	—	"
11¼ NL 82 88-92								
C	F.102.50	677	0.05	—	—	—	—	F.100.80
C	F.105	20	0.20	—	—	—	—	"
P	F.100	5	0.70	2	1.50	—	—	"
P	F.105	100	4.90	—	—	—	—	"
10 NL 82 86-89								
C	F.97.50	—	—	2	1.10	—	—	F.96
C	F.100	—	—	20	0.70	400	1	"
C	F.102.50	3	0.10	10	0.40	—	—	"
P	F.100	20	4.50	—	—	—	—	"
P	F.102.50	50	6.60	—	—	—	—	"
		July		Oct.		Jan.		
ABN C	F.300	—	—	6	2.80	—	—	F.279
ABN P	F.280	—	—	14	8.50B	—	—	"
AKZO C	F.25	—	—	21	1	—	—	F.25.30
AKZO C	F27.50	—	—	46	0.50	—	—	"
AKZO P	F22.50	—	—	—	—	8	1.10	"
HEIN C	F.60	—	—	8	1.50	—	—	F.55.20
HEIN P	F.55	—	—	—	—	5	2.50	"
HEIN P	F.60	24	4.70	40	5	5	6	"
HOOG P	F.15	12	1	—	—	20	1.40	F.13.90
KLM C	F.80	—	—	9	12.50	—	—	F.89
KLM C	F.90	12	3 B	13	6.50	—	—	"
KLM C	F.100	13	0.90	—	—	—	—	"
KLM C	F.110	5	0.40	22	2.80	21	4.10	"
KLM C	F.120	—	—	24	1.10	9	3	"
KLM P	F.80	13	0.90	10	2.80	—	—	"
KLM P	F.90	47	4.50	18	6.20	—	—	"
NEDL C	F.120	—	—	26	3.40	—	—	F.111.20
NEDL C	F.130	10	10.10	6	1	—	—	"
NEDL P	F.110	—	—	—	—	5	4.50	"
NEDL P	F.120	6	9	—	—	—	—	
NATN C	F.115	39	1	—	—	—	—	F.110.70
NATN P	F.115	—	—	20	5.50	—	—	"
PHIL C	F.20	10	2.30	—	—	—	—	F.22.10
PHIL C	F.22.50	283	0.40	173	1.10	58	1.60	"
PHIL C	F.25	—	—	200	0.50	1015	0.80	"
PHIL P	F.20	—	—	105	0.30	—	—	"
PHIL P	F.22.50	81	0.70	223	1.10	270	1.50	"
PHIL P	F.25	15	2.80	18	3	7	3	"
RD C	F.80	15	6.70	60	8.50B	25	9.70	F.86.20
RD C	F.90	167	0.80	170	3.10	7	4	"
RD C	F.100	—	—	27	0.50	—	—	"
RD P	F.80	140	0.70	28	1.90	—	—	"
RD P	F.90	20	4.50	18	7.50	6	7.50	"
RD P	F.100	—	—	10	14.90	—	—	"
UNIL C	F.140	—	—	10	8.70	—	—	F.144.60
UNIL P	F.140	—	—	25	2.80	—	—	"

TOTAL VOLUME IN CONTRACTS: 7127

A=Asked B=Bid C=Call P=Put

MINING NEWS

Big Colombian nickel venture opens

BY GEORGE MILLING-STANLEY

COLOMBIA'S President Julio Cesar Turbay launched the country's first major mining venture at the weekend, with the formal inauguration of the Cerro Matoso ferro-nickel plant.

The plant, alongside a big deposit of lateritic nickel ore near Montelibano in north-western Colombia, will process 850,000 tonnes of ore a year to produce 22,600 tonnes of nickel for export, reports Sarita Kendall from Bogota.

The Colombian Government has a 45 per cent interest in the project through Econiquel, a subsidiary of the state-owned industrial development institute.

The Royal Dutch/Shell group's Billiton Overseas has a 35 per cent stake, and will buy the entire output of the plant, while the remaining 20 per cent is held by Conicol, a local unit of Hanna Mining of the U.S.

Cerro Matoso's power will be supplied by a coal mine at San Jorge which is due to come into production in September, and natural gas piped from nearby fields. Hydro-electric power is also available in abundance, making energy costs manageable.

This is a vital factor in the production of nickel form laterite ores, which require considerably more energy than the sulphide ore deposits in Canada, for example.

The Cerro Matoso deposit was discovered as long ago as 1956, and it has taken many years of negotiation, exploration and experiments with different processes before the project took shape.

It represents an investment of $460m (£228m) in an isolated cattle ranching where few of the big landowners dare to live on their farms because of the ever-present threat of guerrilla activity.

Overseas financing for the project came from a consortium headed by Chase Manhattan Bank, $120m, the World Bank with $80m and the U.S. Eximbank with $25.6m.

With nickel prices, like those of most other metals, currently in the doldrums, Colombia has revised early estimates of foreign exchange earnings sharply downwards.

However, the country is expecting to make more than $2.5bn from its mining industry during the rest of this decade, as Cerro Matoso is joined by several other ambitious projects, especially in coal.

97 companies wound-up

COMPULSORY WINDING up orders against 97 companies were made by Justice Nourse in the High Court yesterday. They were: Graham Terrace Motors, Meadowville, Hingeglen, Airnsmore, Billys Market (Thornton), Camera Sport International, Eldonmarle Developments.

Southland Park Properties, Berry's Transport, Margam Plant and Marine Hire, A.C.T. Commercials, Charles Tyson Associates, Close Protection Security Services.

R.S.T. Marketing (Clothes), Suretro, Trimillbridge, Hoteleasy, Janet Anne Corn Dollies, The Birches Garage Holdings.

The Birches Garage (Hall Green), Dockhead Timber Company, Hexaire, Avon Tile Centre, Ternatest, Logcourt, Gillway Properties, Shadbolt Construction.

Marsh Guaranty Company, Wim Bosman, A. A. Malcolm, Onedin Construction and Property Company, Ohana Textiles Manorcombe, Oxer Upholstery.

Comcentre (Sales), F and M Transport Services, Oxford Securities, C. H. T. (Caravelle Holiday and Travel), De Jersey and Company (Finland).

Cleanaire (UK), Chartmead, R and H Transport Services, Theseus-Roral Systems, T. Perry and Son.

Yawmead, Collins and Associates (Interiors), Stokes of Cambridge, Tuevale, Faircast Engineering, Fert Floors, P.I.C. (St Dunstan's), Darmate, Thameside Motor Services, Heathtop, Birchgrove Investments, Apex Engineering (Leeds).

Enamel Artists, High Brook Electrical Contractors, Progressive Home Improvements, P.I.C. (Gosport), Fleckworth, Stagair, Sable Seats.

Bell Energy Systems, Maximum Intensity Programme School of Languages, Mini Haul (Cambridge), Tom Hartley Jnr., Salereed, Harrich Industrials.

Clock Face (DIY), Digicon Electronics, Formaxglen, Secure Holdings, P. R. Carley and Son, Cottage Photographic (Commercial), Arringstone, Alpine Waste Disposal, J. Congrave and Company, Octopus Productions, Sun Salons, Skincorner, Spearcliff, Cantlewade, City Roadstone.

Kesels Fabrications, K and I Contractors, Rotters Discotheques (Liverpool), Northern Wood Sales, Manehorse, K.M. Security Systems, Star Video International, D and D Wholesale Stationers, Structural Dynamics, Beta Discount Stores, Criterion Restaurant (Brooks Bar), Elmar Holdings and Four Seasons Hotel (Bravey).

A compulsory winding up order made on June 14 against Tumbrian was rescinded and the petition dismissed by consent.

RESULTS AND ACCOUNTS IN BRIEF

LONDON AND ASSOCIATED INVESTMENT TRUST—No dividend for 1981 (same). Pre-tax profit £158,000 (£334,000) after interest £63,000 (£115,000), but including associates profits £78,000 (£198,000). Tax £65,000 (£106,000): stated earnings per share 0.61p (0.96p). Directors say contraction in group profit is due principally to the reduction in special metal dealing profits in Bisichi Tin.

BRUNNER INVESTMENT TRUST—For first half to November 30, 1981: interim dividend 1.45p (1.3p) net per 25p share, final of not less than 1.7p forecast investment income £1.08m (£750,000): tax £268,000 (£237,000): net earnings per share 1.66p (1.31p).

GREENWICH CABLE COMPANY—Net operating loss for six months to February 28, 1982, (£40,028; turnover £91,338; interest received £27,272; depreciation £33,569; net loss for period £46,325 or 1.97p per share. Number of homes subscribing to basic TV cable services at May 31 totalled 6,538, and home subscribing to the Screentown service totalled 427. Both income and expenditure are in line with expectations, say directors.

LENDU RUBBER ESTATE—Dividend for 1981, 1p (1.35p). Turnover £253,017 (£273,799): pre-tax profit £72,797 (£78,158) including exchange gain £15,626 (loss £4,271) and realisation of investments surplus over cost £3,220 (£776), but after transfer to replanting proven annual charge £11,952 (£9,638). Tax £24,500 (£28,600). Earnings per share 2.15p (2.29p).

ASSAM DOOARS — Dividend 6p (same) for 1981. Group profit before tax, £330,013 (£98,816): profit after tax £274,834 (£66,359). Earnings per share 26.34p (5.89p).

LONDON TRADED OPTIONS

June 21 Total Contracts 1,272 Calls 656 Puts 616.

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	280	28	30	36	—	—	—	302p
BP (c)	300	12	2	24	—	32	—	"
BP (c)	330	4	5	12	—	20	—	"
BP (p)	300	12	1	20	—	26	—	"
BP (p)	330	30	44	38	—	44	—	"
CU (c)	130	8	13	13	20	18	—	130p
CU (c)	140	3	26	9	—	12	3	"
CU (c)	160	1½	2	3	—	—	—	"
Cons. Gld (c)	330	14	20	25	—	32	2	314p
Cons. Gld (c)	360	5	—	14	2	24	—	"
Cons. Gld (p)	330	20	7	28	29	32	—	"
Cons. Gld (p)	360	47	—	50	11	60	1	"
Ctlds. (c)	70	9	4	13	—	16	—	76p
Ctlds. (c)	80	2	16	6	20	9	3	"
GEC (c)	900	38	6	70	1	100	2	922p
GEC (c)	950	15	5	40	2	70	—	"
GEC (p)	900	14	18	30	—	40	—	"
GEC (p)	950	45	6	55	—	62	—	"
Gr'd Met. (c)	194	29	—	32	1	38	1	222p
Gr'd Met. (c)	220	9	30	13	1	20	4	"
Gr'd Met. (c)	240	2	—	5	—	9	1	"
Gr'd Met. (p)	220	10	2	15	—	18	—	"
Gr'd Met. (p)	240	22	—	27	5	30	—	"
ICI (c)	300	17	35	26	2	36	5	312p
ICI (c)	330	6	6	16	21	22	21	"
ICI (c)	360	1	9	5	—	—	—	"
ICI (p)	300	6	9	10	4	15	25	"
ICI (p)	330	22	8	28	—	34	—	"
ICI (p)	360	52	—	56	2	—	—	"
Land Sec. (c)	280	5	—	15	—	25	1	271p
Mks & Sp. (c)	120	39	2	—	—	—	—	157p
Mks & Sp. (c)	160	5½	—	9	2	13	—	"
Shell (c)	390	20	—	28	17	38	—	398p
Shell (c)	420	6	—	16	100	24	—	"
Shell (p)	360	2	—	6	4	—	—	"
Shell (p)	390	8	1	14	16	20	—	"
Shell (p)	420	26	2	36	1	42	—	"
		August		November		February		
Barclays (c)	350	32	5	43	—	—	—	376p
Barclays (c)	417	2	—	20	9	—	—	"
Barclays (p)	350	4	5	5	—	9	—	"
Barclays (p)	360	7	—	12	—	17	10	"
Barclays (p)	390	28	—	35	—	—	10	"
Imperial (c)	80	16½	5	20	—	16	—	96p
Imperial (c)	90	8	43	12	—	10½	—	"
Imperial (c)	100	3½	—	6	20	6	10	"
Imperial (p)	90	1½	48	3	—	12	—	"
Imperial (p)	100	7	11	10	—	65	—	"
Lasmo (c)	300	34	1	50	—	47	—	319p
Lasmo (c)	330	16	17	33	—	32	—	"
Lasmo (c)	360	6	2	20	—	7½	5	"
Lonrho (c)	70	3	—	4½	1	8	—	67p
Lonrho (c)	70	6	10	7	—	17	—	"
P & O (p)	130	15	5	20	—	—	—	143p
P & O (c)	140	8	—	14½	2	20	5	"
Racal (c)	390	40	3	57	—	72	—	420p
Racal (c)	420	20	7	38	—	52	—	"
Racal (c)	460	7	3	22	—	32	2	"
Racal (p)	360	2	10	5	—	—	—	"
Racal (p)	390	7	6	16	—	20	—	"
Racal (p)	420	17	7	28	—	33	—	"
RTZ (c)	360	14	10	27	—	35	—	347p
RTZ (c)	390	7	—	16	16	27	1	"
RTZ (c)	420	4	1	11	6	20	—	"
RTZ (c)	460	1½	6	6	—	15	—	"
RTZ (p)	360	28	22	28	11	32	65	"
RTZ (p)	390	47	20	54	10	60	—	"
RTZ (p)	420	77	13	82	—	87	—	"
Vaal Rfs (c)	40	2	24	5½	10	4¾	—	$38
Vaal Rfs. (p)	35	2	1	4	33	—	—	"
Vaal Rfs. (p)	40	4¾	4	7¼	14	8½	—	"
Vaal Rfs. (p)	45	8	80	11	—	23½	—	"
Vaal Rfs (p)	55	17½	15	18½	—	—	—	"

C=Call P=Put

INTERNATIONAL CAPITAL MARKETS

Eurodollar bonds marked down heavily in shake-out

BY ALAN FRIEDMAN

THE Eurodollar bond market's deterioration accelerated yesterday, as prices were marked down by up to 1½ points. The six-month Eurodollar deposit rate increased to 16⅞ per cent last night as the market experienced its worst day since the start of the current sell-off four weeks ago.

The shake-out occurred throughout bond markets: in Switzerland dealers reported price falls of between one and two points on the day. West German bond traders said foreign bond prices had been lowered by ½ to ⅝ point.

In London, Eurobankers reported that "senior members of management" had taken charge of the selling of bond inventories. One banker explained: "We have had calls from senior people who have stepped in to supervise the elimination of trading positions."

Morgan Stanley announced last night that it was changing the indicated coupon on its new $50m Ohio Edison five-year bond from 16½ per cent to 17 or even 17½ per cent. The move followed speculation that the issue might have to be withdrawn because of the deteriorating market.

The European Coal and Steel Community's 14⅜ per cent issue was said to be trading at levels of 94 to 94½. The jumbo $750m 14⅞ per cent benchmark Canada issue was changing hands at 95¼ to 95¾, providing a yield of 15.70 per cent.

"We can no longer speak of yields at 14 or 15 per cent. The yields, even on quality paper, are now heading above 16 per cent," commented one trader. One example was the 13¾ per cent Du Pont bond issue, trading at 92½ to 93 to yield around 16 per cent.

Another trader at a major London-based institution described the market as being in a "freefall" because of the outlook on dollar interest rates. "Every time the phone rings it's a sell order," he said.

In Switzerland, a SwFr 80m issue for the Mortgage Bank of Denmark was postponed by Credit Suisse because of difficult market conditions, exacerbated by the strength of the dollar against the Swiss currency.

West German bankers said the cancellation of more than DM 900m of new issues which had been scheduled for the last two weeks of the current calendar had not solved the problem. There was still too much paper around and a dearth of buyers.

Prices continued to fall in the Japanese convertible bond sector as well. The new $50m 15-year issue for Canon hit a level of 89 to 90, having declined by at least six percentage points over the past fortnight.

Pemex raises $400m credit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

PEMEX, Mexico's state oil concern is raising a $400m, one-year credit to help finance oil exports to Spain. The operation has been arranged on a discreet basis simultaneously with the $2.5bn jumbo Eurocredit for the United Mexican States, but it is understood to have been far more successful.

The margin on the Pemex deal is ½ per cent over London Eurodollar rates. Led by Intermex, it also offers a fee of ⅜ per cent for banks taking $50m and ¼ per cent for those taking $25m.

Intermex declined to give details of the syndication results yesterday, but it was understood that the loan was helped by its Spanish connection as well as an energetic marketing effort.

The credit does not necessarily represent pure Mexican risk since the source of repayment is the Spanish oil importer, the private sector oil company CEPSA.

The operation is, however, an important one for Mexico because it offers some counterweight to the depression in the marketplace following the poor performance of the $2.5bn jumbo. Only about $350m of that was sold outside the lead management group.

Few lead managers of the jumbo expected a heavy selldown in syndication, but most have still been disappointed by the actual result. Only about $40m was provided at participant level by U.S. banks.

Some bankers are now drawing the conclusion that a jumbo operation by the Mexican Government itself may not have been the best method of attracting funds out of the marketplace. The success of the Pemex transaction shows that a well-structured deal can still find takers, even if this means relying once again on rather short-term money.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday July 13.

Closing prices on June 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	98⅝	98⅞	−0⅛	−2⅛	15.45
Amex Int. Fin. 16¾ 92	75	96½	97	−1⅛	−4⅛	16.91
Amex O/S Fin. 14¾ 89	75	93¼	93¾	−0⅞	−2⅝	15.84
APS Fin. Co. 16⅝ 89	75	98⅝	99⅛	+0½	−1¼	16.47
ATT 14¼ 89	400	99⅛	99⅝	−0⅛	−1⅞	14.36
Baker Int. Fin. 0.0 92	225	†24⅞	24⅛	−0⅝	−1⅜	15.64
BHP Finance 14⅜ 89	150	93½	94	−1⅜	−3¼	16.30
Bk. Amer. NT SA 12 87	200	88⅝	89⅛	−0⅝	−2	15.40
Bk. Montreal 14½ 87	100	94½	95	−1⅛	−2⅜	16.10
Bque. Indo Suez 15 89	100	93⅛	93⅝	−2½	−3¼	16.66
British Col. Hyd. 14¾ 89	200	94⅜	94⅞	−2⅜	−4⅝	16.07
Burroughs Int. 15¾ 88	50	98⅜	98⅞	−1⅛	−3	16.07
Canadair 15½ 87	150	98¼	98¾	−0⅝	−1⅝	15.90
Canadian Pac. 14⅝ 92	75	93⅛	93⅝	−1⅞	−3⅛	15.99
Caroline Power 16½ 89	60	97⅝	98⅛	−2⅛	−3⅛	16.98
CIBC 16 87	100	98¾	99¼	−0½	−2⅛	16.24
Citicorp O/S 15 84/92	100	98½	98⅞	−0⅜	−1⅛	15.82
Citicorp O/S 15½ 86/97	125	99⅛	99⅝	0	−1	15.83
CNA 15⅞ 97	75	95¾	96¼	−0¼	−3⅛	16.57
Con. Illinois 15¾ 89	100	99	99½	−0⅛	−1⅞	15.88
Duke Pwr. O/S 15⅜ 89	60	95⅛	95⅝	−0⅜	−3	16.64
Dupont O/S Cap. 0.0 90	300	32⅛	33⅛	−0⅝	−2¼	15.88
ECSC 14⅜ 87	50	94⅜	95⅛	−0⅝	−3⅜	16.28
EIB 15½ 89	150	97⅛	97⅝	−1⅛	−2⅝	16.17
Eksportfinans 14½ 89	50	92¼	92¾	−2⅜	−3⅜	16.37
Gen. Elec. Credit 0.0 92	400	25⅛	25⅝	−0⅝	−1⅝	15.20
Gen. Elec. Credit 0.0 93	400	21⅞	22⅜	−1	−2½	15.21
Getty Oil Int. 14 89	125	93⅞	94⅜	−1⅛	−2⅞	15.42
GMAC O/S Fin. 16 88	150	97½	98	−0⅝	−2⅞	16.56
GMAC O/S 15⅜ 85/97	100	96⅞	97⅜	−0⅝	−1½	15.53
GMAC O/S Fin. 15 89	125	95⅛	95⅝	−0⅜	−1⅜	15.14
GMAC O/S Fin. 15 87	100	96⅜	96⅞	−0½	−1⅛	16.01
Gulf Canada Ltd 14⅜ 92	100	93½	94	−1½	−4⅞	16.02
Gulf Oil 14⅜ 94	175	95¾	96¼	−1⅜	−2⅛	14.96
Gulf Oil Fin. 0.0 92	300	24⅞	25⅜	−0⅝	−2	15.31
Gulf States O/S 16 90	60	95⅝	96⅛	−0½	−2⅛	16.92
Int-Am. Dv. Bk. 15⅛ 87	55	94½	95	−0⅞	−3½	16.57
Japan Dev. Bk. 15½ 87	50	100	100½	−0⅛	−1⅞	15.34
New Brunswick 16⅛ 89	75	98½	99	−0⅜	−2⅜	16.50
Ontario Hydro 14¾ 89	150	94⅝	95⅛	−3⅜	−4⅜	16.00
Pac. Gas & El. 15½ 89	45	98⅛	98⅝	−1⅛	−3	15.83
J. C. Penney Gl. 0.0 94	350	18½	19	−0⅛	−1⅜	15.44
Phillips Petrol 14 89	200	92¾	93¼	−0⅝	−2⅛	15.71
R.J. Rynlds. O/S 0.0 92	400	25	25½	0	−1⅜	15.31
Saskatchewan 16 89	125	98⅝	99⅛	−1⅜	−2⅞	16.23
Shell Canada 14⅜ 92	125	93⅝	94⅛	−2⅛	−3⅝	15.61
Spain 15⅜ 87	100	98½	99	−0⅛	−1⅛	16.08
Superior O/S Fin. 14 89	125	91⅜	91⅞	−0½	−2⅜	16.07
Swed. Exp. Cr. 15⅜ 89	100	97⅜	97⅞	+0⅛	−0⅝	15.79
Swed. Exp. Cr. 14⅜ 90	100	92⅞	93⅜	−1⅝	−2⅝	16.34
Swed. Exp. Cr. 0.0 94	200	17½	18	−0½	−2½	15.89
Texas Eastern 15⅞ 89	60	99⅛	99⅝	—	—	15.89
Union Carbide 14¾ 89	150	95	95½	−0⅝	−3⅜	15.90
Wells Fargo I. F. 15 87	75	98⅛	98⅝	−1⅛	−2⅛	16.04
World Bank 15¾ 88	250	96⅞	97⅜	−1⅜	−2⅞	15.06
World Bank 14¾ 87	500	93⅜	93⅞	−1½	−2⅝	16.20

Average price changes... On day −0⅞ on week −2⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9¾ 92	150	98½	98⅞	−0⅛	−0⅛	9.48
Australia 9½ 91	300	102	102⅜	−0⅛	−0⅜	8.98
Australia 9⅜ 91	200	101⅞	102⅛	−0⅝	−0⅝	8.97
Austria 8⅜ 92	100	93½	94	—	—	9.36
Barclays O/S In. 8⅜ 94	100	93⅝	94½	−0⅛	−2	9.24
Canada 8⅝ 89	200	100⅛	100⅝	−0⅛	−0⅝	8.42
Comp. Tel. Esp. 10½ 92	100	99⅞	100⅜	+0⅛	−0⅛	10.46
Cred. Foncier 8⅜ 92	100	94⅜	95⅛	−0⅛	−1⅞	9.55
Denmark 10 88	100	100⅜	101⅛	−0½	0	9.80
Denmark 10⅛ 92	100	104⅛	102⅜	−0⅛	−0⅛	9.82
EDF 9⅞ 92	100	99⅝	100⅛	−0⅛	−1	9.88
EEC 9⅜ 94	200	100⅝	101⅛	−0⅜	−1⅜	9.60
EIB 8⅜ 92	100	93⅜	93⅞	−0⅛	−2⅛	9.39
Int-Am. Dev. Bk. 9 92	150	97⅛	97⅞	−0⅛	−1	9.39
Ireland 10⅛ 88	100	100⅝	101⅛	0	−0⅞	9.90
Nacnl. Financiera 11 90	150	98	98⅛	−1⅛	−2⅛	11.74
Philip Morris 8⅛ 90	100	99⅛	99⅝	0	−0½	8.36
Quebec 10⅛ 92	150	101⅝	102⅛	−1	−1	9.78
Renfe 10 92	100	98	98½	−0⅛	−1½	10.78
SNCF 8⅝ 92	100	94	94½	—	—	9.54
Tauernautobahn 9⅞ 94	50	101	101½	0	−0⅜	9.68
World Bank 9½ 89	100	100⅛	101⅛	−0⅞	−0⅜	9.23
World Bank 8½ 92	200	93½	94	−0⅜	−2½	9.50

Average price changes... On day −0⅛ on week −1⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 6⅜ 92	100	99	99¼	−0⅛	−2⅛	6.37
Asian Dev. Bank 7 92	100	99⅝	99⅞	−0⅝	−0⅜	7.03
Aucalsa 7⅜ 92	80	96½	96¾	−0⅜	−1	8.26
Australia 6½ 94	100	101	101¼	−0⅜	−3	6.36
Cse. Nat. l'Energie 7 92	100	98⅛	98⅜	−2⅝	−3	7.21
CFE-Mexico 8¼ 92	50	97	97½	−0½	−1⅞	8.67
Co-op. Denmark 8⅜ 92	25	103	103½	−0⅞	−1¾	7.88
Crown Zellrch. 6¾ 92	100	97⅞	98⅜	+0½	−3⅜	7.02
Europarat 7⅜ 92	100	99½	100	−0½	−1⅜	7.28
Ind. Fund Finland 6⅞ 92	30	97¾	98¼	+0⅛	−0⅜	7.03
Japan Dev Bank 6 94	100	97½	97¾	—	—	6.29
Kobe City 6⅛ 92	100	98	98½	−0⅜	−2⅛	6.37
Kommunlane 7⅜ 92	35	†98½	99	−0⅜	−1½	7.43
Mitsui OSK 6½ 92	100	98¾	98½	+0⅛	−2⅛	6.73
National Pwr. Co. 8 92	30	†102	102½	−0⅜	−1⅜	7.65
New Zealand 6 92	100	98⅜	99	—	—	6.15
OKB 7⅜ 92	100	101½	101¾	−1⅛	−2½	7.50
Ost. Postspar 7½ 92	100	101¼	101½	−0½	−2⅛	7.29
Philip Morris 6⅝ 92	100	100¼	100⅝	−0½	−2⅛	6.53
Philip Morris 6⅛ 94	100	99⅝	100¼	−1¼	−1½	6.26
Quebec 7⅜ 92	100	102½	103	−0⅝	−1⅞	6.97
Sekisui Pre. 5⅜ 92 WW	100	98⅛	98¾	−0½	−0½	7.95
Renfe 7⅜ 92	80	101½	101¾	−0⅞	−2⅛	5.53
Soc. Lux. de Cnt. 8⅜ 92	70	106	106⅝	−0⅛	+0⅜	7.10
Tiroler Wasser 6⅝ 92	80	96	96½	—	—	6.80
Vorarlberg Kraft 6⅞ 92	100	100½	101	−0⅞	−1⅝	6.64

Average price changes... On day −0⅜ on week −1⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8⅜ 92	15	97¾	98	—	—	8.61
Int-Amer. Dev. 8⅞ 91	15	101	102	0	−0¼	8.62
Japan Airlines 7⅞ 87	9	95⅝	96⅛	−0¼	−0⅜	8.97
New Zealand 8⅜ 87	15	98⅞	99⅞	0	−0½	8.53
World Bank 8⅜ 92	20	98⅜	99⅛	−0⅛	−0¼	8.56

Average price changes... On day −0¼ on week −0⅜

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 89 C$	100	†96	96½	0	−0⅛	16.88
Cdn. Pac. S. 16⅜ 89 C$	50	†97¼	97¾	0	−1⅛	16.97
Crd. Foncier 17⅛ 89 C$	30	†99¼	99⅝	0	0	17.21
Hudson Bay 17 89 C$	40	†97⅛	97⅝	−1⅛	−1½	17.61
OKB 16½ 88 C$	63	†94⅝	95⅛	—	—	17.68
Q. Hyd. 16½ 89 (My) C$	50	†98⅛	98⅝	0	−0⅛	16.73
Quebec Prov. 16½ 89 C$	50	†98⅝	99⅛	0	0	16.69
U. Bk. Nwy. 9½ 90 EUA	18	89⅝	90½	+0⅛	+1⅛	11.48
Amro Bank 10 87 Fl	150	98⅛	98⅝	−0½	−0⅜	10.38
Bk. Mees & H. 10 87 Fl	75	98⅜	98⅞	0	−0⅜	10.36
Eurofima 10½ 89 Fl	50	99¾	100⅛	+0⅛	−0⅜	10.45
Ireland 10½ 87 Fl	75	98	98½	−0¼	−0⅞	10.93
Phil. Lamps 10⅛ 87 Fl	100	99½	100	−0½	−0⅜	10.30
World Bank 10 87 Fl	150	97½	98	−0⅜	−1⅛	10.60
OKB 14 86 FFr	400	93	94	0	+1	16.41
Solvay et C. 14⅜ 86 FFr	200	92⅝	93⅜	−0½	+0⅛	17.42
Acona 14 85 £	20	95¾	96¼	−0½	−0½	15.59
Beneficial 14⅜ 90 £ (D)	20	88⅞	89⅞	−0⅜	−0⅝	16.61
BNP 13½ 91 £	15	93¾	94½	−0½	−0½	14.81
CECA 13½ 88 £	20	93⅞	94⅞	−1⅜	−1⅝	14.88
Fin. Ex. Cred. 13⅜ 86 £	15	95⅛	96⅛	−0⅛	−0⅜	15.20
Gen. Elec. Co. 12½ 89 £	50	91⅞	92⅞	−0⅜	−0⅝	14.31
Hiram Walker 14⅜ 86 £	25	97⅛	98⅛	−0⅝	−0⅝	15.01
Privatbanken 14½ 88 £	12	94½	95½	−0⅛	+0⅛	15.83
Quebec 15½ 87 £	35	101⅛	102⅛	−0⅛	−0⅜	14.94
Reed (Nd) NV 16⅛ 89 £	25	103	104	−0⅜	−1	15.80
Royal Trustco 14 86 £	12	97⅜	98⅜	−0⅛	−0½	14.71
SDR France 15½ 92 £	30	98⅞	99⅝	−0⅝	−1⅛	15.84
Swed. Ex. Cr. 13⅜ 86 £	20	96⅛	97⅛	−0⅛	−1	14.83
Eurofima 10½ 87 LuxFr	500	95⅛	96⅛	−0⅛	0	11.54
EIB 9⅜ 88 LuxFr	600	91⅛	92⅛	0	−0⅛	11.81

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5⅛ 92	0¼	98	98½	15/10	15.69	15.97
Bk. of Tokyo 5⅛ 91 (D)	0⅛	98½	99	8/12	15¼	15.44
Bk. Nova Scotia 5⅛ 93	0¼	98⅝	99⅛	29/10	15⅝	15.30
BFCE 5⅛ 88	0⅛	98⅛	99⅛	28/10	15	15.17
BFCE 5⅛ 87	0⅛	99⅛	99⅝	27/7	16⅛	16.35
BNP 5⅛ 89 WW	0⅛	98⅝	99⅛	6/11	15.19	15.36
Caisse Nat. Tele. 5⅛ 90	0⅛	99	99⅜	21/10	15⅝	15.89
CCCE 5⅛ 2002	0⅛	98⅛	98⅝	11/12	15⅜	15.63
CEPME 5⅛ 92	0⅛	98⅞	99⅜	10/12	15.44	15.57
Chemical NY 5⅛ 94	0⅛	98⅞	99⅜	23/6	5⅜	5.30
Cont Illinois 5⅛ 94	0⅛	99	99½	24/6	5⅜	5.29
Credit Agricole 5⅛ 97	0⅛	98⅜	99⅛	24/9	15.44	15.59
Credit du Nord 5½ 92	0⅛	99	99½	23/6	5⅜	5.29
Credit Lyonnais 5⅛ 97	0⅛	98⅞	99⅛	1/10	16	16.16
Credit Nat. 5⅛ 94	§0⅛	98⅜	98⅞	9/9	14.69	14.93
Denmark, Kngdm. of 92	0⅛	†98⅜	99	25/8	15.44	15.61
Ireland 5⅛ 89/94	0⅛	†98⅛	98⅝	25/11	14⅜	14.97
Kansallis Osake 5½ 92	0⅛	98⅝	99⅛	6/11	15.31	15.49
Lloyds Eurofin 5⅛ 93	§0⅛	98⅝	99⅛	29/10	17⅛	17.30
Long Term Cred. 5⅛ 92	0⅛	98⅜	98⅞	29/11	14⅜	14.87
J. P. Morgan 5⅛ 97	§0⅛	98½	99	12/8	14⅝	14.81
Nat. West. Fin. 5⅛ 91	§0⅛	99	99½	15/7	15.19	15.30
New Zealand 5⅛ 87	0⅛	99	99½	7/10	15.56	15.68
Nippon Credit 5⅛ 90	0⅛	98⅞	99⅜	10/8	16.06	16.20
Offshore Mining 5⅛ 91	0⅛	98⅝	99⅛	2/12	14.19	14.36
PKbanken 5 91	0⅛	98⅝	99⅛	17/12	15.81	15.97
Scotland Int. 5⅛ 92	0⅛	98⅜	98⅞	23/9	15⅜	15.59
Sec. Pacific 5⅛ 91	0⅛	98⅝	99⅛	24/11	15	15.15
Societe Generale 5⅛ 95	0⅛	99	99½	1/9	15.31	15.43
Standard Chart. 5⅛ 91	0⅛	98⅜	98⅞	18/11	14⅞	15.08
Sweden 5⅛ 89	0⅛	99	99½	26/8	15.31	15.43
Toronto Domin'n 5⅛ 92	0⅛	98⅜	98⅞	11/8	16⅜	16.54

Average price changes... On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5⅛ 96	7/81	933	79	80½	−0⅞	3.22
Bow Valley Inv. 8 95	4/81	23.12	97½	99⅛	−0⅛	75.03
Bridgestone Tire 5½ 96	3/82	470	82⅛	83⅝	+0¼	0.90
Canon 6⅜ 95	1/81	829	81⅛	83½	−0¼	6.89
Chugai Pharm 7⅛ 96	7/82	709.6	95⅛	96⅝	—	−8.68
Fujitsu Fanuc 4½ 96	10/81	5641	77⅛	79⅛	−2⅛	11.61
Furukawa Elec. 5⅜ 96	7/81	300	82½	84	−3	−7.37
Hanson O/S Fin. 9½ 96	8/81	1.36	†82	83	−7	−15.46
Hitachi Cable 5⅛ 96	2/82	515	82½	84	−1⅛	3.68
Hitachi Cred. Cpn. 5 96	7/81	1612	72½	74⅛	−1⅛	9.21
Honda Motor 5½ 97	3/82	841	†79	80½	−1⅞	2.46
Inchcape 8 95	2/81	4.55	†55	57	−1	34.50
Kawasaki 5⅜ 96	9/81	229	59½	61	−0½	14.56
Marui 6 96	7/81	846.4	98	99½	−1⅛	6.85
Minolta Camera 5 96	10/81	826.4	58	59½	−0½	24.64
Minorco 9⅛ 97	5/82	8.16	†76	78	−2	43.49
Murata 5⅛ 96	7/81	2189	86	87½	−0⅛	20.35
NKK 6½ 95	7/81	188	68	69½	−0⅛	−22.60
Nippon Chemi-C. 5 91	10/81	919	60½	62½	−1½	19.63
Nippon Electric 5⅜ 97	2/82	946	87½	89	−3⅛	3.54
Orient Finance 5⅜ 97	3/82	1205	*85⅜	87⅛	−0½	12.71
Sanyo Electric 5 96	10/81	652	61½	63	−2½	8.88
Sumitomo Elec. 5½ 97	3/82	577.3	†83½	85	−2⅛	7.77
Sumitomo Met. 5⅛ 96	10/81	296.1	61½	63	−2	43.86
Swiss Bk. Cpn. 6⅛ 90	9/80	191	71	73	0	30.83
Konishiroku 6 90 DM	2/82	585	99½	100½	−0⅛	4.42
Mitsubishi H. 6 89 DM	2/82	263	87⅝	88⅝	−2⅞	21.57

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Setback for Heinz in final quarter

By Our Financial Staff

H. J. HEINZ, international manufacturers of an extensive range of convenience foods, has ended its latest fiscal year oon a weak note. Fourth-quarter net earnings slipped 5 per cent, from $51.2m to $48.5m on sales down from $1.10bn to $996.9m.

Despite the reverse, however—the first quarterly setback since the opening period of fiscal 1980-81—earnings for the full year are still higher by one-fifth at a record $192.8m, up from $160.8m, on sales marginally higher at $3.68bn against $3.57bn previously.

Per share earnings for the full year were $4.10 against $3.48 previously, with the fourth quarter contributing $1.03 compared with $1.12 last time.

The directors attribute the decline in fourth quarter profits to heavy advertising and promotional spending and a pre-tax provision of $13.3m in connection with ongoing closing and relocation of certain production facilities in the U.S. and abroad.

Lower foreign currency exchange rates used to translate foreign operations also hurt group sales and operating and net income, they added.

Chesebrough to pay $62m for rackets maker

By Our Financial Staff

CHESEBROUGH - POND's, which makes cosmetics and other consumer products, has agreed in principle to acquire Prince Manufacturing for $62m in stock.

Prince, a private company based in New Jersey, makes tennis rackets using a patented design. Sales, which last year totalled $35m, are expected to reach about $60m this year.

Chesebrough last year announced record net earnings of $115m or $3.52 a share on sales of $1.53bn. Its earnings growth has continued this year with profits in the first quarter 91 cents a share against 87 cents a share on sales of $392m compared with $373m.

MGM Hotels earnings fall

By Our Financial Staff

MGM Grand Hotels, which operates hotel/casino complexes in Las Vegas and Reno, reported third quarter earnings down from $7.45m or 23 cents a share to $5.48m or 17 cents a share. Revenues, however, rose from $49.6m to $80m.

In the nine months to end May, net profits fell from $22.9m to $14.35m or from 71 cents to 44 cents a share. Revenues were up from $177.3m to $237.9m.

A fire in November 1980 killed 84 people and severely damaged the Las Vegas hotel/casino. The company said last year's figures included $24.8m from business interruption insurance for the quarter, and $49.5m for the nine months. The hotel was re-opened in July last year.

U.S. QUARTERLIES

BROWN FORMAN	1981-82 $	1980-81 $
Fourth quarter		
Revenue	202.0m	184.0m
Net profits	16.7m	15.8m
Net per share	0.74	0.62
Year		
Revenue	861.0m	769.0m
Net profits	86.8m	67.2m
Net per share	3.43	2.65

CENTRAL SOYA	1981-82 $	1980-81 $
Third quarter		
Revenue	442.2m	513.2m
Net profits	3.3m	1.0m
Net per share	0.22	0.07
Nine months		
Revenue	1.31bn	1.51bn
Net profits	12.5m	18.8m
Net per share	0.83	1.24

COLLINS & AIKMAN	1982-83 $	1981-82 $
First quarter		
Revenue	166.5m	180.9m
Net profits	6.065m	5.89m
Net per share	0.58	0.51

EX-CELL-O	1981-82 $	1980-81 $
Second quarter		
Revenue	272.2m	296.2m
Net profits	13.2m	15.0m
Net per share	0.88	0.98
Six months		
Revenue	537.6m	589.3m
Net profits	25.7m	27.3m
Net per share	1.71	1.78

HOUSTON INDUSTRIES	1981-82 $	1980-81 $
Fourth quarter		
Revenue	835.4m	665.7m
Net profits	43.6m	34.6m
Net per share	0.57	0.51
Year		
Revenue	3.38bn	2.64bn
Net profits	237.2m	198.2m
Net per share	3.27	3.10

HUMANA	1981-82 $	1980-81 $
Third quarter		
Revenue	499.0m	446.0m
Net profits	34.4m	25.7m
Net per share	0.58	0.43
Nine months		
Revenue	1.49bn	1.27bn
Net profits	95.1m	67.6m
Net per share	1.6	1.13

WEST POINT-PEPPERELL	1981-82 $	1980-81 $
Third quarter		
Revenue	288.2m	325.8m
Net profits	13.85m	11.46m
Net per share	1.37	1.17
Nine months		
Revenue	840.9m	928.5m
Net profits	31.83m	32.37m
Net per share	3.16	3.36

MOVE TO AVERT ITALIAN BANK CRISIS

New team in control at Ambrosiano

BY RUPERT CORNWELL IN ROME

THE TEAM of three special commissioners appointed by the Bank of Italy yesterday took full control of Banco Ambrosiano, amid signs that an immediate major crisis of confidence after the recent upheaval at the country's biggest privately-owned banking group had been averted.

Although trading in shares of Ambrosiano itself remained suspended, prices of other companies controlled by the bank showed useful gains on the Milan bourse yesterday.

La Centrale, the financial company, scored a rise of over 13 per cent, with smaller improvements by the Toro Insurance Company and Credito Varesino, another important Italian bank indirectly owned by Ambrosiano.

The Ambrosiano crisis reached a climax last week with the mysterious death in London of Sig Roberto Calvi, the bank's chairman, whose body was found on Friday hanging from scaffolding under Blackfriars Bridge in London.

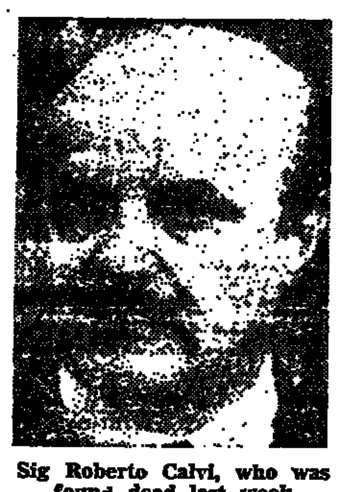
The Bank of Italy yesterday issued a statement to the effect that the commissioners had been appointed to safeguard the interests of depositors (who have placed a total of $6bn with Ambrosiano). The activities of Ambrosiano were proceeding normally, the central bank declared.

In all, six officials have been temporarily appointed by the Bank of Italy to straighten out Ambrosiano's affairs. A three-man supervisory committee has been installed, as well as the three commissioners, headed by Dr Antonino Occhiuto, a former deputy director general of the central bank.

In a separate declaration aimed at restoring confidence, the commissioners last night expressed their belief that uncertainties could be cleared up, and that the bank could return to ordinary administration.

The key task facing them—and one which could also go some way to explaining why Sig Calvi died—is to unravel the financial status of three Latin American offshoots, most notably the Lima-based Banco Andino.

In a letter to Sig Calvi at the end of May, the Bank of Italy pointed to loans totalling $1.4bn advanced by these banks, and demanded further details. Shortly afterwards the banker disappeared.



Sig Roberto Calvi, who was found dead last week

According to reports here, the money, originally borrowed on the Euromarkets, was in part used to secure control for Sig Calvi of Ambrosiano. The central bank has long been pressing, but to no avail, for a full explanation of Ambrosiano's foreign shareholdings.

It is also alleged that guarantees for the operations had been extended by Instituto per le Opere di Religione (IOR), the Vatican's bank, and a small but significant shareholder in Ambrosiano. Difficulties in securing an extension of these guarantees, according to some accounts here, precipitated Sig Calvi's flight.

For their part, the Italian observers appear reluctant to accept suggestions by the London police investigating the bankers' death that there were no grounds at present to suppose that it was not a case of suicide.

A Milan court, meanwhile, yesterday adjourned for nine days the hearing to the appeal by a group of prominent financiers against conviction last July for illegal currency exports, in connection with dealings in shares of some of the key companies of the Calvi empire. Sig Calvi himself had been sentenced to four years in jail, but had been free pending an appeal, although deprived of his passport.

Jacobs offer for Pabst Brewing

BY OUR FINANCIAL STAFF

JMSL ACQUIRING, a company recently formed by Mr Irwin Jacobs, the investment entrepreneur, intends to make a cash tender offer of between $22 and $24 a share for the outstanding shares of Pabst Brewing.

The offer would require the tender o fat least 3.2m shares, or about 39 per cent of Pabst's common stock. These shares, in addition to JMSL's present holding would give it control of about 53 per cent of Pabst's common stock.

The company, which is controlled by Mr Jacobs and certain associates, said it would offer $24 a share if Pabst had not acquired more than 5 per cent of the shares or a substantial amount of the assets of Olympia Brewing.

Pabst of Milwaukee, the number four in the U.S. brewing industry and Olympia of Washington, the seventh largest, agreed to merge earlier this month in a cash and stock transaction valued at $70.2m.

Pabst has also been the target of two other acquisition proposals. A $24 a share bid by G. Heileman Brewing of Wisconsin valuing Pabst at $196.8m was opposed last week by the U.S. Justice Department on anti-trust grounds. Pabst has also rejected as inadequate an offer by C. Schmidt & Sons of Philadelphia for $20.50 a share in cash and $5 a share in debentures.

Heileman's disappointment with the Justice Department ruling on its bid has led to its involvement in JMSL's takeover moves.

If successful with its takeover, Mr Jacobs' group has agreed to sell to Heileman Pabst's Newark and Georgia breweries for $135m.

Emhart sees Europe upturn

By Our Financial Staff

EUROPEAN RATHER than U.S. operations will underpin the "modest improvement" in earnings expected this year by Emhart, the diversified U.S. industrial company.

"Business in the U.S. so far has been poor," Mr Mike Ford, chairman and president, said.

Emhart makes machinery for the shoe, packaging and other industries, and other products such as door locks, shop equipment and Bostik glue.

The performance pattern was shown in the first quarter when 55 per cent of operating income came from abroad and 45 per cent from the U.S. For all of last year the split was 41/59.

Despite an 11.6 per cent dip in first quarter operating income to $40.1m, net earnings rose to $20.1m from $6.5m. This reflected, however, a $22.7m net foreign exchange loss in the year earlier quarter.

Operating income for all of last year rose 37 per cent to $165.1m, net income rose 16 per cent to $75m while sales slipped 3 per cent to $1.75bn.

Alberta Energy in Chieftain bid

ALBERTA ENERGY Company (AEC), in which the Alberta government has a 50 per cent holding, has launched a bid for 7m shares, or 51 per cent, of Chieftain Development, a medium-sized western oil and gas producer. The offer, worth C$24 a share, is worth a total of C$168m (US$130m), writes our financial staff.

The AEC offer is intended to raise Canadian ownership of Chieftain to approximately 75 per cent. About half the stock is now believed to be in the hands of U.S. investors.

AEC is prepared to buy on a pro rata basis any shares tendered before the closing date of July 20, over and above the 7m it is seeking.

French steel unions react angrily to lay-offs

By Terry Dodsworth in Paris

UNIONS in the Sacilor group, the second largest of the two big French steel companies, have reacted angrily to plans to axe at least 2,000 jobs in Pompey, its special steel-making subsidiary based in Loraine.

Details of the plan, which follow the announcement of a more drastic project to cut 4,000 jobs at Usinor, the other of the nationalised steel companies, were revealed to the unions at the weekend. They responded by kidnapping M Claude Dolle, the newly-appointed chairman, staging a demonstration yesterday featuring a model of the Eiffel Tower, which was built from cast-iron made by the company almost 100 years ago.

Sacilor also proposes to trim a further 225 jobs from its 27,000 workforce in the Sacilor-Sollac division of the business. But the main dissension is being concentrated on the future of the 3,500-strong Pompey labour force, who came into the Sacilor group through a takeover three years ago.

The future of Pompey is to some extent tied up with concurrent plans to rationalise the special steels sector still further by bringing Societe des Aciers Fins de l'Est (SAFE), a Renault subsidiary also based in Lorraine, into the Pompey group. Workers in SAFE have been told that Sacilor is likely to take between 70 per cent and 80 per cent of the company.

With Usinor also planning closures and redundancies in Lorraine, a regional opposition movement to the Socialists' plans for the development of the steel industry now shows signs of materialising.

But whereas Usinor is proposing to put a large percentage of the FFr 8bn ($1.2bn) which the Government is making available for investment into its Dunkirk site on the Channel, Sacilor is planning substantial investments in Lorraine.

According to the plan plan announced by M Dolle, FFr 5.6bn of the global FFr 8.5bn that the company will have available is to be spent in the Dunkirk region.

VW sales depressed by weakening U.S. demand

BY OUR FINANCIAL STAFF

VOLKSWAGEN, West Germany's leading motor group, looks to be heading for a poor first half in terms of sales.

Having lagged by 5 per cent in the opening quarter of 1982, group world sales have deteriorated further, declining by 8.1 per cent for the five months to May. Once again it is the North American market that is doing much of the damage.

World group sales fell to 948,883 vehicles in the five months. The company said VW faced its "biggest problems" in the U.S., with sales up to the end of May falling by 38.6 per cent to 89,300 vehicles, compared with the same period last year. For the first quarter U.S. sales were 37 per cent lower at 53,000 units.

In West Germany sales for the five months fell by 7 per cent to 333,186 vehicles. But sales in other European countries rose by 2.7 per cent to 273,532 units. Sales in France showed a 4.7 per cent rise over the first four months of the year. However, prices in France will have to rise following the latest realignment of the European Monetary System (EMS), VW said.

Sales of Volkswagen do Brasil, including Volkswagen Caminhoes and Volkswagen Argentina, were 2.7 per cent down at 119,861 vehicles in five months, although sales in May improved by 3.8 per cent.

Weak demand was a major factor behind VW's profits setback in 1981, when profits halved for the second year running, tumbling to DM 136m ($55m). Last year the company was forced to cut its dividend to DM 5 a share from the DM 10 paid for 1980.

Group turnover rose by 14 per cent in 1981, but unit sales to dealers fell by almost 9 per cent.

Saab-Scania profits improve

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

SAAB-SCANIA, the Swedish truck, car and aerospace group, yesterday reported a 23 per cent increase in pre-tax profits to SKr 401m ($66.8m) in the first four months of 1982. Sales climbed by 20 per cent to SKr 5.87bn.

A gross profit margin of 6.8 per cent was achieved against 6.6 per cent in the first four months of the previous year and 6.5 per cent for 1981 as a whole. Earnings included SKr 46m in currency translation gains, against SKr 10m.

On the other hand, net financial costs rose sharply, from SKr 59m to SKr 103m, entirely because of the poor performance of the Brazilian and Argentinian subsidiaries. Profits from truck manufacturing in the two countries were badly affected by local economic and political conditions.

The most bullish operating development was a 25 per cent advance to SKr 1.84bn in sales of Saab cars. This was accompanied by a "substantial" improvement in profits, to which the rise in the dollar exchange rate contributed. Car output was stepped up during the period, and a further increase is planned during the rest of the year.

Another favourable development earlier this month was the Swedish Riksdag's (parliament's) decision to spend SKr 25.7bn on the development and production of a new combat aircraft for the Swedish air force. In the first phase of the contract, which is due to be signed early next month, Saab-Scania will receive work valued at about SKr 6bn.

The aerospace division turned in lower profits in the first four months, with sales rising by 21 per cent to SKr 450m. Investments are being made for the production of the Saab-Fairchild 340 short-haul passenger aircraft, the first of which is due to roll-out in October.

The Scania division, which combined the truck business with the agency for Volkswagen and Audi cars in Sweden, showed a more or less unchanged result, it is stated. Turnover in the Scania truck business rose by 15 per cent to SKr 2.49bn, the world market for trucks and buses remaining weak.

Group investments reached SKr 273m during the period, an increase of SKr 43m. At the end of April liquid assets amounted to SKr 1.43bn, or 84 per cent more than a year earlier.

Jubilee boost for Karstadt

BY KEVIN DONE IN FRANKFURT

KARSTADT, West Germany's biggest department stores group, has substantially improved its profitability in key sectors of its business.

With the virtual full takeover of Neckermann—Karstadt now owns almost 95 per cent—the group's activities are concentrated in three major areas: department stores; mail order; and services, chiefly comprising travel bureaus and travel operations, and the building of pre-fabricated housing.

In the department stores operations, Karstadt clearly outperformed its major rivals last year as a result of its 100-year special promotions campaign, which added an extra DM 330m ($134m) to turnover. Overall department stores turnover in 1981 rose by 3.2 per cent to DM 9.87bn.

Without the jubilee sales promotion Karstadt estimates that the stores turnover would have declined, even in nominal terms.

Pre-tax but before interest the operating result of the department stores improved by DM 52.6m, or 35 per cent. The principal boost to profitability came from changes in the mix of goods towards lines with higher margins—textiles sales were increased, while turnover in food was reduced—lower stock levels and therefore reduced interest charges, and a cut of around 2 per cent in the average number of employees.

Overall Karstadt group turnover — including Neckermann mail order and other interests —reached DM 12.8bn last year, only a marginal nominal rise, from DM 12.6bn in 1980. After-tax group profits jumped to DM 43.2m from DM 7.9m. The dividend was held at DM 6 per share—effectively a cut of DM 2 per share for shareholders, who received a DM 2 per share jubilee bonus for 1980.

N-U-R, the travel subsidiary, incurred a loss of DM 24m, which was taken over by Karstadt. Neckermann Eigenheim, the prefabricated house builder, showed a loss of DM 4.3m, compared with a profit of DM 8.6m in 1980.

Borregaard sees decline in annual result

By Fay Gjester in Oslo

BORREGAARD, the Norwegian industrial group, reports pre-tax profits, before extraordinary items, of Nkr32.7m ($5.4m) for the first four months of 1982, compared with Nkr30.1m last year.

It forecasts slightly weaker results for the rest of the year, with profits for 1982 as a whole down on the previous year.

External sales rose by 11 per cent to Nkr1.24bn, mostly in detergents and foodstuffs.

Borregaard Industries, which makes pulp, paper, chemicals and rayon staple fibre, did slightly less well, than last year, partly reflecting the higher costs of financing capital expenditure. Borregaard has decided to close down its rayon staple fibre plant in the second half to avoid heavy losses.

The group's toiletries and foodstuffs operations increased overall profits, despite a decline in earnings from edible oils and fats.

Folldal Verk, a small mining company, increased earnings as a result of richer ore, improved yields by its purifying plant and higher pyrite prices, although prices for copper, zinc, gold and silver were "very low."

Capital expenditure in the four months reached NKr 129m, compared with NKr 112m last year. Major projects nearing completion include a dryer at the pulp plant in Sarpsborg, east Norway, modernisation of the detergent powder plant in Oslo, and the mill for edible oils and fats at Fredrikstad, east Norway.

Banca Catalana doubling capital to Pta 11bn

BY ROBERT GRAHAM IN MADRID

BANCA CATALANA, the largest Catalan bank, is to double its capital to Pta 11bn ($100m). Sr Francesc Cabana, the bank's vice-president, says the bulk of the new funds are expected to come from Catalan savings banks and from Catalan businessmen.

The Spanish banking community has for some time been concerned about the condition of Banca Catalana, which has deposits of Pta 130bn. The bank's industrial arm, Industrial de Catalana, has been hit by the recession, and the bank also has problems arising from the absorption three years ago of the Catalan industrial bank, Industrial del Mediterraneo.

Against a background of rumour and counter rumour concerning the difficulties of a well-known Catalan financial institution, the Bank of Spain recently took the unprecedented step of issuing a report. Banca Catalana also put out a statement. Sr Cabana says that publication of these reports provoked a run on deposits, and also forced the pace of negotiations, which had been going on for several months, over how to streamline the bank's operations and inject new funds.

The solution now being sought, expected to be finalised before the annual meeting on June 29, is that the three Catalan savings banks subscribe to new shares or convertible bonds. At the same time several Catalan businessmen will also step in with their own funds. The basic aim is to retain the Catalana group's Catalan identity.

One difficulty in this respect is that the savings banks have until now been operating under an informal Bank of Spain curb, preventing them from holding more than 7 per cent of a commercial bank's equity. La Caixa, the largest savings bank in Spain, already holds 7 per cent of Banca Catalana.

The Bank of Spain has apparently given the green light for this to be increased to above 10 per cent. Also two other Catalan savings banks, not yet shareholders, would be permitted to buy Banca Catalana stock.

Rorento lifts U.S. bond portfolio

By Walter Ellis in Amsterdam

RORENTO, the Dutch investment fund which specialises in fixed-interest securities, has increased assets from Fl 2.5bn to Fl 2.67bn ($990m) in the three months ended May.

Half of the rise is said to have been brought about by high interest income and half from capital gains on both bonds and currencies. Liquidity stood at about 20 per cent of assets at the end of the quarter, during which investments in guilders rose from 30.4 per cent to 37.5 per cent of the total portfolio.

Sika turnover rises

Turnover of the Swiss-owned Sika group, a producer of building chemicals, rose by 16.5 per cent last year to SwFr 422.6m ($211.3m), writes John Wicks in Zurich. Consolidated operational profits improved by 19 per cent to SwFr 38.9m. The group sufferd "extremely high" foreign exchange losses of SwFr 11m, which have been taken against reserves.

Ahlsell offer lapses

By Our Nordic Editor

AHLSELL, the Swedish wholesale group, has allowed its offer for the stock of Vihamij Buttinger, the Dutch plumbing, heating and electrical products wholesaler, to lapse.

Earlier Ahlsell had said it hoped to make Buttinger a springboard for expansion in Europe. Yesterday the Swedish company said it was talking to several other companies both in Europe and in the U.S. about acquisitions. After the sale of its steel stockholding business, Ahlsell has about SKr 370m ($61m) for investment. It is currently in the process of merging with AEG-Telefunken Elektriska, the former Swedish subsidiary of the West German Electrical Group.

This Prospectus includes information given in compliance with the Regulations of the Council of The Stock Exchange in London for the purpose of giving information with regard to the Stock to be issued by Her Majesty the Queen in right of New Zealand ("New Zealand"). New Zealand has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other facts the omission of which would make misleading any statement herein whether of fact or of opinion. New Zealand accepts responsibility accordingly.

Dated 22nd June, 1982

New Zealand

Issue on a yield basis of

£100,000,000 Stock 1987

payable as to £25 per cent. on application
and as to the balance by 20th September, 1982
with interest payable half yearly on 29th June and 29th December

The Issue has been underwritten by

S. G. Warburg & Co. Ltd.

Baring Brothers & Co., Limited | **Hill Samuel & Co. Limited**
Kleinwort, Benson Limited | **Lloyds Bank International Limited**
Morgan Grenfell & Co. Limited | **Bank of New Zealand**

Application has been made to the Council of The Stock Exchange in London for the £100,000,000 Stock 1987 (the "Stock") to be admitted to the Official List for dealing in the Gilt-edged market. Stock in registered form, when listed, will be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961 and an investment falling within Part I of the Schedule of the Building Societies (Authorised Investments) (No. 2) Order 1977. It is expected that dealings in the Stock on The Stock Exchange in London will begin on Friday, 25th June, 1982 for deferred settlement on Friday, 2nd July, 1982.

Renounceable allotment letters (partly paid) in respect of the Stock will be despatched on Thursday, 1st July, 1982. Certificates in respect of Stock in registered form and bearer bonds in respect of Stock in bearer form will be available on 15th October, 1982 provided the balance of the moneys payable has been duly paid.

PROCEDURE FOR APPLICATION

All applications must be made in the form of the application forms provided and must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU (the "Receiving Bank") not later than 10.00 a.m. (London time) on Thursday, 24th June, 1982 and must comply with the provisions of "Terms of Payment in Respect of Applications" below.

Applications for Stock must be for a minimum of £100 nominal amount of Stock and thereafter for the following multiples of Stock:—

Amount of Stock applied for	Multiple
Up to £1,000	£ 100
£1,000 to £10,000	£ 1,000
£10,000 to £50,000	£ 5,000
£50,000 or greater	£25,000

S. G. Warburg & Co. Ltd. on behalf of New Zealand reserves the right to reject any application and to accept any application in part only. If any application is not accepted the relevant application form and the amount paid thereon will be returned by post at the risk of the person submitting the application and, if any application is accepted for a smaller amount of Stock than that applied for, the balance of the amount paid on application will be so returned, and in the meantime all such amounts will be held in a separate account.

S. G. Warburg & Co. Ltd. on behalf of New Zealand will announce the basis of allotment by 10.00 a.m. (London time) on Friday, 25th June, 1982. It is expected that confirmations of allotments will be despatched on that day.

THE APPLICATION LIST WILL OPEN AT 10.00 A.M. (LONDON TIME) ON THURSDAY, 24TH JUNE, 1982 AND CLOSE LATER ON THE SAME DAY.

TERMS OF PAYMENT IN RESPECT OF APPLICATIONS

Each application must be accompanied by a separate cheque in pounds-sterling made payable to "Lloyds Bank Plc" and crossed "New Zealand Loan", representing payment at the rate of £25 per cent. of the principal amount of Stock applied for. Such cheques must be drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses.

An alternative method of payment is available in respect of payments of £10,000 or more only to recognised Banks or Stockbrokers (as defined under "General Information" below) who irrevocably engage to pay Lloyds Bank Plc, City Office, 72 Lombard Street, London EC3P 3BT, for credit to account number 0042868 designated "New Zealand Loan—Alternative Payment" by 10.00 a.m. (London time) on Wednesday, 30th June, 1982 the amount in Town Clearing Funds representing payment at the rate of £25 per cent. of the nominal amount of the Stock in respect of which their applications shall have been accepted. The expression "Town Clearing Funds" shall mean a cheque or bankers' payment for £10,000 or more drawn on a Town Clearing Branch of a bank in the City of London.

S. G. Warburg & Co. Ltd. on behalf of the Underwriters referred to below reserves the right to instruct the Receiving Bank to retain the relevant allotment letters and surplus application moneys (if any) pending clearance of applicants' remittances.

The balance of the amount payable on the Stock allotted must be paid so as to be cleared on or before 20th September, 1982. Any amount paid in advance of its due date shall not bear interest or be entitled to any other payment.

Failure to pay the balance on any Stock when due will render all amounts previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of two per cent. above the Base Rate for the time being of the Receiving Bank may be charged on such balance if accepted after its due date. New Zealand further reserves the right in default of payment to sell any such Stock fully paid for its own account.

DELIVERY

Renounceable allotment letters (partly paid) in respect of Stock allotted will be despatched on Thursday, 1st July, 1982 by post at the risk of the person submitting the application in accordance with the instructions stated on the application form.

Allotment letters may be split up to 3.00 p.m. (London time) on 16th September, 1982 in accordance with the instructions contained therein into denominations or multiples of £100 principal amount of Stock.

Unless a duly renounced fully paid allotment letter with the registration application form duly completed is received by the Receiving Bank on or before 20th September, 1982, the Stock represented by such allotment letter will be registered in the name of the original allottee and thereafter Stock in registered form will be transferable only by instrument of transfer.

Allotment letters will provide for holders of Stock to elect to take delivery of Stock in bearer rather than registered form. Stock in bearer form will be represented by bearer bonds which will be available only in the denomination of £5,000 each.

Each holder of Stock who elects in the allotment letter to receive bearer bonds may receive them in one of the following ways:—

(a) By post at the risk of the applicant. The allotment letter will include details of insurance arrangements.

(b) By delivery to an existing account with Euro-clear Clearance System PLC or CEDEL S.A.

(c) By collection from the offices of the Receiving Bank.

Provided the balance of the moneys payable on the Stock held by each such holder has been duly paid, bearer bonds will be available for delivery on 15th October, 1982 and certificates, in respect of the Stock in registered form, will be despatched on the same date at the Stockholder's risk. After that date allotment letters will cease to be valid for any purpose.

INFORMATION RELATING TO THE ISSUE

The Stock is created and the issue is made under the Public Finance Act 1977 (as amended) of New Zealand and S. G. Warburg & Co. Ltd. has been authorised to receive applications for the Stock. The Stock will be constituted by a Deed Poll and Stockholders will be deemed to have notice of and will be bound by its terms.

Status

The Stock will represent an unconditional, unsecured and general obligation of New Zealand. The principal of and interest on the Stock will be a charge on and payable out of the Public Revenues of New Zealand, equally and rateably with all other amounts so charged and payable in respect of all other general obligations of New Zealand for money borrowed.

Interest

The Stock will bear interest from 30th June, 1982 at a rate per annum to be determined in accordance with "Determination of Rate of Interest and Issue Price" below. Interest on the Stock will be payable by equal half-yearly instalments on 29th June and 29th December in each year, except that the first payment of interest in respect of the period from 30th June, 1982 will be calculated on the amount for the time being paid up on the Stock and on the basis of the number of days elapsed and a 365 day year.

Determination of Rate of Interest and Issue Price

The Stock will have attached such rate of interest and be issued at such price as will result in the Stock having a gross redemption yield determined on the basis described below (the "Issue Yield").

The Issue Yield shall mean the sum of 0.75 per cent. and the arithmetic mean of the gross redemption yields, rounded to three places of decimals (with 0.0005 being rounded upwards), on 13¼ per cent. Exchequer Stock, 1987 and 12 per cent. Treasury Stock, 1987 at 3.00 p.m. (London time) on Wednesday, 23rd June, 1982, the prices of such Exchequer Stock and Treasury Stock to be determined by S. G. Warburg & Co. Ltd. to be the arithmetic mean of the respective bid and offered prices quoted on a dealing basis for settlement on the following business day by three jobbers in the Gilt-edged market. The gross redemption yield will be expressed as a percentage and will be calculated on the basis indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the *Journal of the Institute of Actuaries Vol. 105, Part 1, 1978, page 18.*

The rate of interest attaching to the Stock will be an integral multiple of one quarter of one per cent. and the issue price, which will not be greater than par, will be expressed as a percentage rounded to three places of decimals (with 0.0005 rounded upwards).

It is intended that notice of the Issue Yield, rate of interest and issue price will be published in the *Financial Times* on Thursday, 24th June, 1982.

Redemption and Purchase

(a) The Stock, if not previously cancelled after purchase in the open market, will be repaid at par on 29th June, 1987.

(b) New Zealand may at any time purchase Stock in the open market at any price or by private treaty at a price not exceeding ten per cent. above the middle market quotation for the Stock, as shown by The Stock Exchange Daily Official List, ruling on the previous dealing day (allowing for accrued interest but exclusive of all costs of purchase) but not otherwise. Stock so purchased shall be cancelled forthwith.

Registration, Transfer and Exchange

Lloyds Bank Plc has been appointed Registrar of the Stock, which will be transferable in registered form in multiples of one penny by instrument in writing in the same manner as if the Stock were a security to which Section 1 of the Stock Transfer Act 1963 applied. The Stock represented by bearer bonds will be transferable by delivery. Under present legislation the Stock is transferable free from United Kingdom stamp duty.

Applications for exchange of Stock in registered form for bearer bonds and vice versa should be made on the forms of exchange available at the offices of Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA, 111 Old Broad Street, London EC2N 1AU (as Registrar, Principal Paying and Exchange Agent) and Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, P.O. Box 1108, Luxembourg and Morgan Guaranty Trust Company of New York, 35 Avenue des Arts, B-1040 Brussels (as paying agents). Such applications shall be made by the holders of Stock in registered form or the holders of bearer bonds, as the case may be, lodging such forms duly completed at either of such offices of the Exchange Agent. If any such application is lodged on or before 17th December, 1982 no charge will be made in respect of such exchange. After that date, such exchange will only be made on payment of such costs and expenses as may be incurred in connection therewith.

An application to exchange Stock in registered form for bearer bonds shall have attached the certificate(s) to which such application relates. An application to exchange bearer bonds for Stock in registered form shall have attached the bearer bond(s) to which such application relates together with all unmatured coupons relating to such bond(s). If the certificate(s) attached to an application for the exchange of Stock in registered form for bearer bonds relate(s) to a greater nominal amount of Stock which is not an integral multiple of £5,000 the balance of such Stock will remain in registered form and a certificate will be issued to the holder for such balance. All applications for the exchange of Stock in registered form for bearer bonds and vice versa will be irrevocable.

PURPOSE OF THE ISSUE

The proceeds of this issue are to be used to repay sums advanced under an acceptance credit facility dated 13th October, 1981, the proceeds of which were used to supplement New Zealand's foreign exchange reserves and to finance development works in New Zealand.

CURRENT TAXATION

New Zealand

Under the provisions of the Income Tax Act 1976 of New Zealand, income derived by a person who is not (within the meaning of Part IV of that Act) resident in New Zealand from stock issued by New Zealand, the interest on which is payable outside New Zealand, is not liable to taxation in New Zealand.

United Kingdom

In the case of interest payable through a registrar in the United Kingdom in respect of Stock in registered form, United Kingdom income tax will be deducted from each payment except that, under current Inland Revenue practice, payments will be made gross to persons whose registered addresses are outside the United Kingdom provided that (i) the payments are made direct to an address abroad other than to a branch of a United Kingdom company, and (ii) the registrar for the Stock does not recognise the registered holder as a person in the United Kingdom and does not recognise that the payment is being made to or for the account of such a person. Persons who are not resident in the United Kingdom for tax purposes may apply by sending a claim form A3 to the Inspector of Foreign Dividends for exemption from United Kingdom income tax on grounds of non-residence.

In the case of interest payable through a paying agent in the United Kingdom in respect of Stock in bearer form, United Kingdom income tax will be deducted from each payment in the absence of an affidavit to the effect that the beneficial owner of the Stock is not resident in the United Kingdom for tax purposes.

In addition, under current Inland Revenue practice, a bank in the United Kingdom recognised as such by the Inland Revenue may receive interest payments (whether in respect of Stock in registered or bearer form) without deduction of tax if it certifies on the occasion of each such payment that it owns the underlying Stock and is beneficially entitled to the interest.

Stockholders who are liable to United Kingdom tax on capital gains should note that the provision in Section 67 of the Capital Gains Tax Act 1979 which exempts from tax capital gains on Gilt-edged securities (as defined for such purposes) held for more than 12 months will not apply to the Stock.

GENERAL INFORMATION

Underwriting Arrangements

By an Underwriting Agreement dated 21st June, 1982, S. G. Warburg & Co. Ltd., Baring Brothers & Co., Limited, Hill Samuel & Co. Limited, Kleinwort, Benson Limited, Lloyds Bank International Limited, Morgan Grenfell & Co. Limited and Bank of New Zealand (the "Underwriters") have agreed with New Zealand to underwrite the issue of the Stock. S. G. Warburg & Co. Ltd., on behalf of the Underwriters, may in certain circumstances terminate the Underwriting Agreement. If the Underwriting Agreement is so terminated or the Underwriting Agreement does not become unconditional, acceptances of applications for the Stock will become void.

New Zealand has agreed to pay to the Underwriters commissions aggregating £1 per £100 of Stock for their services as managers and underwriters of the issue out of which will be paid commissions to the brokers to the issue (Scrimgeour, Kemp-Gee & Co. and Rowe & Pitman) and certain other persons who have agreed to accept sub-underwriting participations in respect of the issue of the Stock. New Zealand will pay brokerage of 12½p per £100 of Stock to recognised Banks or Stockbrokers on allotments made in respect of applications bearing their stamp; this commission will not, however, be paid in respect of any allotment which arises out of a sub-underwriting commitment. The expression "recognised Bank or Stockbroker" shall mean any organisation which is a recognised bank for the purposes of the Banking Act 1979 and any firm of stockbrokers which is a member of The Stock Exchange in London and such other banks and brokers as S. G. Warburg & Co. Ltd. shall at their absolute discretion agree for the purpose of the issue. The total expenses of the issue (including the above-mentioned commissions but excluding brokerage) are estimated to amount to about £1.1 million and are payable by New Zealand.

Documents for Inspection

Copies of the following documents will be available for inspection at the offices of Allen & Overy, 9 Cheapside, London EC2V 6AD during normal business hours until 6th July, 1982:—

(i) the Underwriting Agreement referred to above;

(ii) a draft, subject to modification, of the Deed Poll referred to above, which includes in schedules thereto the form of certificate and bearer bond;

(iii) a draft, subject to modification, of the Registrar's, Paying and Exchange Agency Agreement; and

(iv) Public Finance Act 1977 (as amended) of New Zealand, together with the warrant pursuant to Section 79 of such Act, appointing the Loan Agents of New Zealand in relation to the issue of the Stock.

General

Copies of the Prospectus and application form may be obtained from:—

The office of the High Commissioner for New Zealand, New Zealand House, Haymarket, London SW1Y 4TQ

S. G. Warburg & Co. Ltd., 30 Gresham Street, London EC2P 2EB

Scrimgeour, Kemp-Gee & Co., 20 Copthall Avenue, London EC2R 7JS

Rowe & Pitman, City-Gate House, 39-45 Finsbury Square, London EC2A 1JA

Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU

APPLICATION FORM

The application list will open at 10 a.m. Thursday, 24th June, 1982 and will close later the same day.
This form must be lodged with Lloyds Bank Plc, Registrar's Department, Issue Section, 111 Old Broad Street, London EC2N 1AU.

NEW ZEALAND
Issue on a yield basis of £100,000,000 Stock 1987
Payable as follows: On application £25 per cent. On 20th September, 1982 the balance of the issue price

To S. G. Warburg & Co. Ltd. on behalf of New Zealand

In accordance with the terms of the Prospectus dated 22nd June, 1982 I/we apply as below. I/We irrevocably undertake to accept the amount of Stock applied for or any smaller amount that may be allotted in respect of this application and to pay for the same in conformity with the terms of the said Prospectus.

Nominal amount of the Stock applied for	Amount enclosed at £25 per cent. of the nominal amount applied for
£	£

Note: Applications must be for a minimum of £100 nominal amount of Stock or an integral multiple thereof and thereafter for the following multiples of Stock:

Amount of Stock applied for	Multiple	Amount of Stock applied for	Multiple
Up to £1,000	£100	£10,000 - £50,000	£5,000
£1,000 - £10,000	£1,000	£50,000 or greater	£25,000

Please pin cheque here

I/We enclose a cheque* in pounds sterling drawn on a branch in the United Kingdom or the Channel Islands of a bank which is either a member of the London or Scottish Clearing Houses or which has arranged for its cheques to be cleared through the facilities provided for the members of those Clearing Houses, made payable to "Lloyds Bank Plc" and crossed "New Zealand Loan" representing payment at the rate of £25 per cent. of the above-mentioned nominal amount of Stock. I/We understand that the completion and delivery of this application form accompanied by my/our cheque constitutes a representation that the same will be honoured on first presentation. I/We hereby engage to pay the balance payable on the Stock by 20th September, 1982 for value on that day on any allotment made to me/us in respect of this application and I/we understand that failure to pay such balance by the due date will render the amount previously paid liable to forfeiture and the allotment liable to cancellation. Interest at the rate of two per cent. per annum over the Base Rate of Lloyds Bank Plc from time to time may be charged on the balance of the amount payable on the Stock, if accepted after its due date. New Zealand further reserves the right, in default of payment, to sell the Stock fully paid for its own account. I/We acknowledge that any allotment letter and (if appropriate) remittance for any application moneys returnable to be sent to me/us is liable to be held pending clearance of such cheque.

I/We hereby request that any Stock allotted to me/us be evidenced by an allotment letter addressed to me/us and be sent by post at my/our risk to me/us at the first address shown below.

**A separate cheque must accompany each application form.*

Date .... *June, 1982.*

(1) Usual signature ....
In the case of a corporation, the common seal must be affixed or this form signed by a duly authorised officer who must state his capacity.

Please use BLOCK LETTERS

Forenames: ....
Surname: ....
(also state designation: Mr., Mrs., Miss or title)
Address in full: ....

Joint Applicants (if any):
In the case of joint applicants all must sign.

(2) Usual signature ....
Forenames ....
Surname ....
(also state designation: Mr., Mrs., Miss or title)
Address in full ....

(3) Usual signature ....
Forenames ....
Surname ....
(also state designation: Mr., Mrs., Miss or title)
Address in full ....

(4) Usual signature ....
Forenames ....
Surname ....
(also state designation: Mr., Mrs., Miss or title)
Address in full ....

FOR OFFICE USE ONLY

1. Acceptance number
2. Amount of Stock accepted
3. Amount received on application £
4. Amount payable on Stock accepted £
5. Amount returned £
6. Balance payable £
7. A.L. number
8. Cheque number

ALTERNATIVE METHOD OF PAYMENT

(This method of payment is available in respect of payments of £10,000 or more only to recognised Banks or Stockbrokers as described in the Prospectus.)

We hereby irrevocably engage to pay Lloyds Bank Plc, City Office, 72 Lombard Street, London EC3P 3BT, for credit to account number 0042868 designated "New Zealand Loan – Alternative Payment" by 10.00 a.m. on Wednesday, 30th June, 1982 the amount in Town Clearing Funds representing payment at the rate of £25 per cent. for the Stock allotted to the person(s) named above in respect of this application.

Name of bank or broker: ....
Address: ....

Authorised signature ....

In the case of a corporation, the common seal must be affixed or this form signed by a duly authorised officer who must state his capacity.

Stamp of bank or broker claiming brokerage (if any)	A. L. number	Stock allotted

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

Yoko Shibata in Tokyo explains how consumer finance has taken a new look

Japanese pull the loan sharks' teeth

SWEEPING CHANGES in Japanese retail sales financing have been taking place outside traditional banking channels, against the background of laws that bite on some concerns more than others.

Access to the market for small loans is being taken up increasingly by businesses such as the so-called Sunday Banks operated by retailers open seven days a week.

Foreign financial houses have been active in the market, forcing domestic institutions to change their practices. The Japanese firms are now becoming increasingly competitive and forcing the foreigners to retrench.

Expansion in Japan's consumer credit market, means that it reached—including credit cards, instalment credit sales and consumer loans—some Y16,280bn ($64bn) in terms of finance extended in 1980. Over the 10-year period ending in 1980, consumer credit grew at an annual compound rate of 18 per cent, outpacing the annual compound growth rate of consumer spending of 12 per cent. The market will go on growing at an annual rate of 12.4 per cent, to reach Y28,100bn in 1985, according to Consumer Credit Industry Study Group, an affiliate of the Ministry of International Trade and Industry (MITI).

The volume of new consumer loans expanded 20 times, to reach Y2,800bn in the 1971-80 period, and is expected to be Y6,100bn in 1985.

The Japanese consumer finance market has long been untapped because of the people's traditional reluctance to go into debt.

But post-war generations, which now account for half the population, have become more willing to borrow than their elders.

A number of loosely meshed cogs have played a part in Japan's consumer finance revolution . . .

In the 1970s, a dominant force in Japan's consumer finance market lay in the so-called Sarakin (salaried men's finance companies). Sarakin moneylenders provide small unsecured loans to salaried workers, but some charge interest rates up to the 109.5 per cent per annum legal maximum for companies other than banks, and some resort to strong-arm money collection practices. Almost anyone can, under the law, start a money-lending business.

Increasing numbers of Sarakin-induced suicides and family ruins led the Japanese Government some five years ago to invite foreign consumer finance comanies (mostly American) into Japan's small-loan market. This brought the interest rates of the top four Sarakin to the same level as that charged by foreign entrants, to around 45 per cent.

Reputable instalment credit sales companies like Orient Finance (in 1978) and Nippon Shinpan (in 1979) made a big entry into the consumer finance market by setting up money-shops extensively through Japan.

Japans top seven listed instalment credit sales companies had an outstanding balance of loans in the fiscal year to March of Y321bn, 52.2 per cent up from the previous year.

The new competition has tended to push out of business unscrupulous Sarakin, while others have sought a new image, with self-regulatory measures.

The top four legitimate Sarakin — Takefuji, Promise, Acom, and Lake—had an outstanding aggregate balance of loans in the fiscal year ended March 31 1982, of Y411.7bn, up 54 per cent from the previous year. For the first time they topped the outstanding balance of personal loans at Japan's 13 City banks, of 328.6bn. This was achieved despite an annual interest rate of 45.77 per cent, against the 13.5 per cent charged by the City banks.

The most recent arrivals in the consumer finance market have been retailers such as department stores and supermarkets. Cash points were opened in 1979 in Seibu group department stores, and in Midoriya and Seiyu Stores (supermarkets), of which cardholders can borrow up to Y300,000 at an annual interest rate of 28.2 per cent at any time from 10 am to 7 pm midweek, and also at times such as Saturday afternoons, Sundays and holidays when banks are closed.

. . . young people are more loan-minded than earlier, and loan sharks have had to be restricted . . .

Other retailers are not idle. Supermarket chainstore giants such as Dai'ei, Ito Yokado, Uny and Nichii, as well as department stores like Tobu have, one after another, taken up consumer finance operations since last summer.

The great advantage for the Sunday Banks is that this financial sector lies outside the scope of the severe, administrative guidance of the financial authorities. City banks, mutual banks, and credit associations fall under the jurisdiction of the Ministry of Finance, which regulates interest rates, operating hours, and even the instalment of cash dispensers.

Sarakin and Sunday Banks fall under the surveillance of the Ministry of International Trade and Industry. One major Sarakin, Acom, offers 24-hour-a-day cash dispenser services in Tokyo's busy streets in Ginza and Shinjuku districts to cardholders, aiming for business after the closure of City bank cash dispensers at 6 pm.

Industry estimates are that the share of the banks in consumer finance fell from 25 per cent in 1970 to 17 per cent in 1980.

Banks, though tending to be reluctant to lend to individuals, offer substantial loans to credit card and instalment credit sales companies. Such loans expanded at an annual compound rate of 23.2 per cent in 1979-1981, outpacing the growth rate of their overall lending of 7.7 per cent.

At the height of social criticism of Sarakin, in 1978, the Ministry of Finance guided banks not to offer loans to Sarakin operators. But with such administrative guidance not extending to foreign banks in Japan, the field has come under their sway. However, the tide has begun to change.

Since the turn of the year, Japanese banks have begun to pump funds with much lower interest charges than foreign banks into Sarakin, through an affiliated credit, leasing, and factoring companies. This has squeezed foreign banks heavily. The foreign banks' share in the total funds raised at most of the Sarakin hovered around 15 per cent to 30 per cent at the end of March 1982.

Foreign concerns are also losing ground in the consumer finance market. Recently BA Finance, a Japanese subsidiary of Bank America decided to withdraw from personal loan business. This followed the withdrawal of Household Finance, of the U.S., last year. Eight other foreign consumer finance companies are also affected by the recently intensified competition.

. . . foreign financial concerns helped lead the changes, but now find themselves squeezed by Japanese competitors.

A Bill to lower the loan interest ceiling for Sarakin moneylenders from the current 109.5 per cent per annum to just on 40 per cent is likely to pass at the current Diet session after four years trying.

However, competition in the Japanese consumer finance industry has lately lowered interest, to an extent weakening any immediate impact of new legislation on Sarakin.

Battle in the balance for control of Grace Brothers

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE TUSSLE for control of Grace Brothers, the Australian retailer, was still precariously balanced last night, with three bidders—one of them friendly—having established shareholdings estimated at 17 per cent to 18 per cent each. Yesterday, the Grace Brothers board said that interests friendly to the company held a little less than 50 per cent of the issued capital.

These interests included the Grace family, the company superannuation fund, and a private investment company, Servona, which is thought to be a white knight. Ranged against them are Bond Corporation Holdings of Perth, and Adelaide Steamship, both of which already have retailing interests.

Bond owns a controlling stake in Waltons Bond, whose legal battles with Grace Brothers for control of Norman Ross Discounts started in the courts yesterday, while Adelaide Steamship's diversified interests include the David Jones retail chain.

Brokers estimate that an all-out bid for Grace Brothers would have to exceed A$4 for each of the 47.5m ordinary shares and A$3.50 a note, valuing the company at around A$230m (US$240m).

In hectic dealing late last week, more than 50 per cent of the Grace Brothers shares changed hands. Sellers included the Australian Mutual Provident Society, the Commonwealth Trading Bank, and the National Mutual Life Association.

Meanwhile, legal proceedings in the struggle between Waltons Bond and Grace Brothers for Norman Ross have been held over until July 27.

Property sales to boost Carrian profit

BY ROBERT COTTRELL IN HONG KONG

CARRIAN INVESTMENTS, the quoted arm of Hong Kong's Carrian group, has announced the sale of a package of local residential properties which it says will yield a profit before tax of HK$200m (US$34m). The properties, in Stanley, Pokfulam and Kowloon, are being sold for HK$393m to what Carrian describes as "overseas investors." The buyers are paying 10 per cent of that price in cash immediately while the balance is to be settled with non-interest-bearing promissory notes payable in December this year.

In a second deal, Carrian Investments' insurance subsidiary, China Underwriters Life and General Insurance, says it is selling its wholly-owned subsidiary, Stapden Investments, which owns the 34th floor of Bank of America Tower in Hong Kong's Central District.

China Underwriters says the sale price of HK$80.6m will yield a profit of HK$3.6m before tax. A 10 per cent deposit has been paid, the balance to be settled as to HK$38m in cash immediately and the balance with interest-free promissory notes payable in December.

The stated profits before tax from the two deals is equivalent to almost one-third the HK$626m profits after tax which Carrian declared for 1981.

Transformation continues at Heng Sang

By Our Hong Kong Correspondent

HENG SANG Industry and Realty has announced further steps in its transformation from a piecemeal manufacturing concern into a financial services and property group.

The group is to change its name to Whitehall Finance (Holdings), reflecting its HK$75m (US$12.7m) acquisition, announced in March, of the deposit-taking and securities group, Whitehall Enterprises.

It will sell to Mr Lim Yiong Lin, its chairman, its towel-making business and other investments for HK$15.8m (US$2.7m) and it will buy from Mr David Lim, Mr Lim's son, and also a director of Heng Sang, a Vanuatu-based company which in turn owns the Panama-registered Radleigh Shipping Company. The acquisition will cost Heng Sang HK$62.5m, of which HK$25m is payable in cash and the balance in new Heng Sang shares.

Radleigh Shipping owns no ships. Its assets are a property in Belcher Street, Hong Kong, and 12.12 per cent of Bylamson and Associates, a quoted Hong Kong company.

The directors of Heng Sang say they plan to concentrate group development in financial, stockbroking, and property activities, and specify two projects in which the group is to participate. It has reached a provisional agreement to buy for HK$82m a half-share in a 23-storey building now under construction in Gloucester Road, Hong Kong, to be named the Whitehall Centre. It has also agreed to pay HK$24.5m for nine floors of an office building under construction in Taipei, Taiwan, to be named the Whitehall Commercial Centre.

Investcorp chairman elected

By Mary Frings in Bahrain

Mr Abdul Rahman Salen al-Ateeqi, a former Kuwait Finance Minister, has been elected the first chairman of Arabian Investment Banking Corporation (Investcorp) of Bahrain. He is also chairman of the newly-formed Bahrain and Middle East Bank which recently bought an 11 per cent interest in Grindlays Holdings, which in turn has a 51 per cent stake in Grindlay's Bank of the UK.

Last week Investcorp announced that its US$26m share offer was subscribed 1,403 times attracting $36bn of funds.

Mr Nemir Kirdar has been named president and chief executive of Investcorp.

Malaysia decision boosts tin prices

BY OUR COMMODITIES STAFF

TIN PRICES soared on the London Metal Exchange yesterday following Malaysia's announcement at the weekend that it would join the proposed sixth International Tin Agreement after all.

The cash LME quotation, which has fallen sharply in recent weeks, largely because of fears that Malaysia would refuse to join the pact, rallied dramatically to close at £6,295 a tonne, £820 above Friday night's close.

Malaysia, the world's leading tin producer, called Indonesia and Thailand to meetings in Kuala Lumpur on Saturday and Sunday to try and persuade them to join it in staying out of the new agreement.

Dr Datuk Ser Mohammed Mahathir, the Malaysian Prime Minister, also wanted the three countries to form a producers-only group to support the market.

But all three agreed to join the new pact in spite of the fact that only 51 per cent of consuming countries planned to participate. At the same time, however, they said they would go ahead with the formation of the producers-only group.

Wong Sulong writes from Kuala Lumpur: Announcing the joint decision Dr Mahathir said the producer association would ensure that producers' interest were protected because "by itself, the sixth agreement would not be effective."

Observers interpreted this to mean that while they would co-operate with consumers within the agreement, the tin producers, in particular Malaysia, would feel free to take unilateral action if the ITA pact was slow in responding to any crises.

"If non-participating consumer nations try to sabotage ITA decisions, we reserve the right to counter such moves," said a Malaysian official. This referred to past actions of the U.S., which in the producers' view, had done much to erode their confidence in the effectiveness of the tin agreement.

Mining ministers of Malaysia, Indonesia and Thailand will issue a joint statement in their respective capitals today.

The statement is timed for the eve of the Geneva meeting in which producers and consumers will state their position on whether they want to allow the sixth agreement to operate from July 1—the fifth expires on June 30.

If Malaysia had its way, it would leave the sixth pact and concentrate on the producers' group, but Indonesia and Thailand were firm that there should be no break in the tin agreements which had operated for the past 26 years.

The Indonesians and Thais feel that, apart from the U.S., which is not coming in because of differences in approach, the other nations, notably the Soviet Union, Spain, South Korea and the Latin American states, are not joining because of the compulsory financial contributions and not because they are opposed to the agreement.

Bufferstock operations under the five previous pacts were financed by producers, but the sixth agreement makes it mandatory for contributions from both sides.

Czechoslovakia is the latest country to indicate its intention to join and there is still a possibility that other consumers might join if the Geneva meeting agrees to keep the door open for latecomers.

Indonesia and Thailand, which together account for nearly 40 per cent of the world's tin exports, as opposed to Malaysia's 34 per cent, are worried about the chaos that might result from the break-up of the ITA. They are also concerned about the dominance of Malaysia in a cartel operation.

Malaysia can afford to take more painful decisions on tin, such as a more severe production cut, because of its broad range of commodities — tin is only its sixth biggest export. But Indonesia and Thailand are anxious to expand their tin industry.

● Other LME base metal prices continued to lose ground in line with the decline in gold. Cash high grade copper sank to its lowest level since July 1978 at £690.25 a tonne, down £17 from Friday. The fall may also have been influenced by yet another producer price cut by Asarco, to 62 cents a lb.

The copper decline was followed by lead, with the cash quotation ending £2.25 down at £282 a tonne, and by zinc, down £3.5 to £370.5 a tonne for cash.

LME warehouse stocks of copper fell 3,300 tonnes last week to 144,875 tonnes. Tin stocks were down 20 tonnes at 35,370 while lead stocks rose 5,175 tonnes to 98,600 and zinc stock fell 650 tonnes to 62,050.

Stocks of aluminium in LME registered warehouses declined 1,650 tonnes to 221,875, and nickel stocks fell 618 tonnes to 2,376. Silver stocks registered a rise of 20,000 troy ounces at 35.66m ounces.

Optimism grows in horticulture

Financial Times Reporter

BRITISH HORTICULTURE is coming out of the recession with producers more optimistic than they have been for years, according to the annual survey conducted by the grower magazine.

The industry is also planning to increase production. The survey also reveals that the industry, by a small majority, is against withdrawal from the Common Market.

Almost half the growers are planning to increase production this year, compared with only 27 per cent last year. The most optimistic sectors were nurseries producing trees, shrubs and hardy plants for gardens, along with bedding plants and vegetables.

This is a change from last year, when soft fruit growers were the biggest expanders.

Most protected crops, those grown under glass or plastic, seem to be holding production, and 80 per cent of field vegetable growers are planning to increase investment, mainly in new machinery.

Consumption of pork rises 2%

Financial Times Reporter

CONSUMPTION of pork rose to almost 28 lbs a person in Britain last year, while beef and lamb intake fell because of higher prices, according to a report published yesterday.

The relatively stable price of pork led to a 2 per cent increase in consumption, while beef intake fell 2.6 lbs a head to 44 lbs, and lamb declined 1.76 lbs a head to 14.5 lbs, the Meat and Livestock Commission said.

In its Commercial Pig Production Yearbook, the MLC said bacon and ham consumption also fell last year, by about 15,000 tonnes to 492,000 tonnes, or almost 19 lbs a person. The decline was because of a reduction in home produced and imported supplies.

The level of slaughtering in 1981, at 13.1m was slightly lower than in 1980. UK pork production rose 3 per cent over 1980, while UK bacon production fell 5 per cent. Bacon production in Northern Ireland was down 25 per cent.

MOROCCO

Time to cast nets on potential sea wealth

BY FRANCIS GHILES, RECENTLY IN RABAT

MOROCCO is making renewed efforts to develop the vast potential in fish that lies off its long Mediterranean and Atlantic shores.

As much as 1.5m tonnes of fish, worth about £425m, could be taken from the seas each year. Yet, to date, and in spite of efforts 10 years ago, the major beneficiaries of this wealth are Russian, Spanish, South Korean, Japanese, French and Portuguese ships.

Ships from these countries fish along the kingdom's Atlantic shores, often undetected by the few Moroccan patrol boats and usually not paying the authorities in Rabat anything for the fish they draw from the sea.

Last year's catch is estimated at 300,000 tonnes, but nobody knows the precise figure.

Moroccan efforts have, in the past two years, produced a more equitable agreement—from the kingdom's point of view—with the Spaniards, while negotiations with other countries continue.

Balance of payments

Fishing contributed 0.28 per cent to Morocco's gross domestic product last year. The figure is in real terms unchanged since 1975. Fresh and processed fish earned Morocco £45.5m last year, a fraction of the kingdom's exports.

About 53,000 people work in the fishing and fish processing industries, a small figure indeed for a country of 21m people.

Morocco's indifference to its potential sea wealth has deep historical roots. Political power has rested traditionally in the rich agricultural plains and old imperial cities of the hinterland, such as Fes and Marrakesh.

Foreign consuls had to reside in Tangiers until the French occupation just before the First World War. They were allowed inland only when requested to meet the Sultan.

The attitude of Moroccan officials is changing however, for three major reasons.

First, the country's balance of payments has been deeply in the red since 1976 and there is great potential in the hard currency gains to be derived from exports.

Second, Morocco's growing shortage of meat, which is expected to increase tenfold between 1980 and 1985, could be alleviated by a better catch.

Third, fishing and associated industries could provide many more jobs than today, a crucial consideration in a country one-third of whose workforce is either out of work or severely underemployed.

Measures have been taken to develop the fishing sector which should bear fruit in the years to come. Just over a year ago, a Fisheries Ministry was set up. At the same time, the kingdom's economic exclusive zone was extended from 50 to 200 miles.

Funds are being provided to modernise Morocco's primitive ports at Nador, on the Mediterranean and Agadir, Tantan, Tarfaya and Dahkla, the latter of which lies in the disputed western Sahara.

The waters off Agadir and further south are richer in fish than the north, because the fish had tended to migrate south over the years.

Facilities to train Moroccans are also being considered: a conference this autumn organised with the help of the U.S. National Oceanic and Atmospheric Administration should lay the basis here. And it should, in the years to come, avoid Moroccans being employed as ordinary seamen on non-Moroccan ships where the opportunities for promotion are virtually non-existent.

The authorities are, however, confronted with a number of hurdles. The first is the ill-fated attempts to modernise the fishing sector 10 years ago. Money was lost by individual fishermen, banks and private companies as the bottom was knocked out of the market by the large rise in the price of fuel in 1973-74.

The authorities are thus thinking of setting up a state-funded bank whose activities would be confined to financing the sector, from helping individual fishermen acquire boats to planning large new canning and processing factories.

The difficulties encountered in 1974-75 were aggravated by the speculative element which had dominated the interest certain private companies had shown in the sector.

Negotiating with the Spaniards is not easy: Spain has agreed to lower its catch quotas and increase the fees it pays Morocco for fishing in its exclusive economic zone.

Policing the seas

Moroccan officials stress how difficult it is to police the seas until they have a reasonable size fleet of patrol boats. They also show scorn for the total disrespect for conservation with which they claim Spanish fishermen proceed, notably the frequent use of dynamite.

Another Moroccan grievance, but one which can be repaired probably with time, is that so much of the catch is taken to Las Palmas.

Most of the 100,000 fishermen from the Canary Islands take the fish they catch back to Las Palmas, and so do the many other foreign vessels. Facilities for freezing and canning are good in the islands, and away from the watch of Moroccan patrols.

It is difficult to guess how long the new Moroccan policies will take to bear fruit. Today's efforts are certainly far greater than ever before. Perhaps the best the Moroccans can hope for its that the country's fish consumption per person will increase to 20lb of fish every year by 1990 instead of 10lb today. That simply means catching up with the Tunisians.

Farmers still face fall in real income

INTEREST repayments now swallow about 38 per cent of farmers' incomes and many can keep going only with the help of large bank loans, Mr John Glyn, chairman of the Agricultural Mortgage Corporation, said.

Farm incomes rose by 14 per cent last year, ending a four-year decline, but they were still less both in money and in real terms than in the years 1976 to 1978.

"Total interest payments in 1981 were equivalent to a massive 38 per cent of net income compared with 12 per cent in 1977, which is a reflection of the continuing growth in bank borrowing by farmers," Mr Glyn said in the corporation's annual report.

Bank advances rose by 17 per cent last year, a smaller increase than in previous years, while spending on capital investment declined.

Soviets 'ready for new grains pact'

BY NANCY DUNNE IN WASHINGTON

THE SOVIET UNION is reportedly ready to negotiate a new long term grains agreement with the U.S. with a new minimum as high as 12m-15m tonnes, but Soviet officials are waiting for the U.S. to take "the next step."

Talks for a new agreement were broken off officially by President Ronald Reagan in December as one of the "sanctions" imposed for Soviet actions in Poland. However, agriculture officials see a new agreement as the best chance for boosting stagnating farm prices and improving the agricultural outlook without triggering new Government spending.

In an interview with Wheat Grower Magazine, Mr Yuri Kalashnikov, acting Soviet trade representative, talked of raising minimum levels, current at 8m tonnes, to 12m-15m tonnes, but said a new pact would have to ensure that the U.S. and Soviets were "on equal footing."

"A new agreement," he said, "should clarify that if certain amounts of grain are put under contract, they should be delivered."

The interview was published amid reports that the Soviets could be heading towards their worst grain crop in four years of disastrous harvests. The U.S. Departments of Agriculture (USDA), says the Soviets have planted 124m hectares, 1½m less than last year with so significant increase expected in yields.

The reduction is thought to be the results of poor seed quality and distribution problems, as well as a new policy designed to reduce production on margina lands. Wheat planting, while down only an estimated 3 per cent from last year, could well be the lowest in 30 years.

The current USDA forecast is for a total 185m tonnes harvest, 23 per cent below target, but the Department's June estimates have not been on target for several years. The USDA has only recently acknowledged that its final 1981 estimate of 175m tonnes was probably too high, trade sources have estimated 140m-160m tonnes for months.

The USDA says the underlying reasons for Soviet crop failures lies in the areas of fertiliser, machinery, pesticide, research and labour problems.

It says Soviets produced more than 100m tonnes of mineral fertilised last year, 39m tonnes short of their goal. But even delivered fertiliser sits uncovered until it coagulates into a concrete-like mass to go unused.

Farm machinery is inferior, pesticides and labour are in short supply and dissemination of agricultural research is "painfully slow," says the USDA

LONDON OIL SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	32.50-32.80	—0.30
Iranian Light	31.50-32.00	—0.45
Arabian Heavy	30.35-31.00	—0.08
North Sea (Forties)	33.20-34.25	—0.90
African (Bonny Li'ht)	34.50-34.75	—0.63
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	346-357	—5.0
Gas oil	271-278	—1.0
Heavy fuel oil	166-171	—0.5

GAS OIL FUTURES

A strong dollar led to a weaker opening and a further fall as buyers held back on the physical market, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
June	271.50	—4.00	274.80-70.00
July	276.00	—3.50	279.00-74.75
August	276.25	—5.50	279.50-75.25
Sept.	277.25	—5.50	280.50-78.25
Oct.	281.00	—3.75	284.00-80.00
Nov.	283.25	—4.00	285.50-83.25
Dec.	286.75	—4.00	287.50-86.75
Jan.	289.00	—4.50	289.00
Feb.	289.75	—6.75	—

Turnover: 2,298 (1,162) lots of 100 tonnes.

GOLD

Gold fell to its lowest level for nearly three years in the London bullion market yesterday as U.S. interest rates continued to climb. It finished at $295½-296½, a fall of $11½ an ounce. Trading was restricted to a narrow band of $295½-297½.

In Frankfurt the 12½ kilo bar was fixed at DM 23,910 per kilo ($299.24 per ounce) against DM 24,380 ($307.50) previously and closed at $296-297 compared with $308½-309½.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $296.0 compared with $306.85.

In Paris the 12½ kilo bar was fixed at FFr 65,000 per kilo ($293.17 per ounce) in the afternoon compared with FFr 66,000 ($297.75) in the morning and FFr 67,000 ($306.36) on Friday afternoon.

LONDON FUTURES

Month	Yest'rday's close	+ or —	Business Done
	$ per troy ounce		
August	174.70-4.85	—4.550	175.05-5.55
Sept'mb'r	176.20-6.30	—4.525	—
October	177.90-8.25	—4.350	177.80
November	179.40-9.70	—4.575	—
December	181.30-1.75	—4.350	181.75

Turnover: 853 (1,065) lots of 100 troy ounces.

	June 21		June 18	
Gold Bullion (fine ounce)				
Close	$295½-$296½	(£171½-172)	$307-308	(£176½-177)
Opening	$296-297	(£171½-172)	$306-307	(£175½-176)
Morning fixing	$297	(£172.574)	$307.50	(£177.335)
Afternoon fixing	$296.75	(£172.229)	$308.75	(£177.186)

Gold Coins June 21

Krugrnd	$306¼-307	(£177¼-177¾)	King Sov	$81-82½	(£47-47½)
1/2 Krug	$157¾-158¾	(£91¼-92)	Victoria Sov	$81-82½	(£47-47½)
1/4 Krug	$80¼-81¼	(£46½-47)	French 20s	$67-69¼	(£38¾-40)
1/10 Krug	$32¾-33¾	(£19-19½)	50 pesos Mex.	$365-367½	(£211½-212½)
Mapleleaf	$306¼-307½	(£177¼-178)	100 Cor. Aust	$290½-292½	(£168-169½)
New Sov	$70¾-71¼	(£41-41¼)	$20 Eagles	$372-377	(£216½-218½)

*Selling rate.

BRITISH COMMODITY MARKETS

BASE METALS

THE PRICE of Tin soared on the London Metal Exchange yesterday, reaching a high of £6,410 before closing at £6,390, more than £800 to the good. Other metals were depressed by the fall in the gold price, and closed somewhat lower; as in Copper, £717, Lead £294.5, Zinc £376.5, Aluminium £533 and Nickel £3,012.5.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
High Grade				
Cash	684-.5	—23.2	690-.5	—17
3 mths	705.5-6.5	—22.7	711.5-12	—17
Settlem't	684.5	—23.5	—	......
Cathodes				
Cash	678-.5	—19.7	682-85	—14.5
3 months	698.5-9.5	—20	705-6	—14.5
Settlem't	678.5	—20.5	—	......
U.S. Prod.	—	—	*65.74	......

Amalgamated Metal Trading reported that in the morning high grade copper traded at: cash untraded; three months 08.00, 07.00, 08.00, 07.50, 07.00, 06.00. Cathodes: cash £678.50; three months £699.00. Kerb: higher grade three months £708.00, 08.50, 07.00, 07.50. Cathodes: untraded. Afternoon: higher grade cash untraded; three months £710.00, 11.00, 12.00, 12.50, 11.50, 11.00, 11.50, 12.00. Cathodes: cash untraded three months £705.00. Kerb: higher grade three months £716.00, 15.50, 16.00, 17.00, 18.00, 17.00, 17.50, 18.00, 17.00, 16.50. Cathodes: untraded. Turnover: 24,225 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	5950-60	+500	6290-300	+820
3 months	6060-90	+525	6365-70	+815
Settlem't	5960	+500	—	......
Standard				
Cash	5950-60	+500	6290-300	+820
3 months	6040-50	+490	6355-70	+815
Settlem't	5960	+500	—	......
Straits E.	‡29.15	—	—	......
NewYork	—	—		

TIN—Morning: Standard, cash £5,950, 60, three months £6,000, £6,050, 25, 50, 40, 30, 40. High Grade: untraded. Kerbs Standard: three months £6,050, 60, 80. High Grade: untraded. Afternoon: Standard cash untraded three months £6,120, 30, 50, 60, £6,200, 20, 30, £6,320, £6,300, £6,260, 70, 90, 80, 95, £6,300, 10, 50, 60, 65. High Grade: Untraded. Kerbs Standard: three months £6,280, £6,300, 50, 30, 50, £6,400, 20, £6,390, 80, 90. High Grade: untraded. Turnover: 3,905 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	281-.5	—2.5	281.5-2.5	—2.25
3 months	291-.5	—3.25	292-3	—1.75
Settlem't	281.5	—2.5	—	......
U.S. Spot	—	......	*25-7	......

LEAD—Morning: cash untraded three months £292.00, 92.50, 93.00, 92.00, 91.50, 91.00, 91.50. Kerbs: three months £291.00, 91.50. Afternoon: cash untraded three months £291.00, 91.50, 92.00, 92.50. Kerbs: three months £293.00, 94.00, 95.00, 94.50, 95.00. Turnover: 8,500 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	368.5-9	—11.7	370-1	—3.5
3 months	371.5-2	—8.5	373-4	—1.75
S'ment	369	—12	—	......
Primw'ts	—	......	*32-37.75	......

ZINC—Morning: cash £368.00, 68.50. Three months £374.00, 75.00, 77.00, 74.00, 72.00. Kerbs: three months £372.00. Afternoon: cash £369.00, 70.00. Three months £372.00, 71.00, 70.50, 71.00, 72.00, 73.00. Kerbs: three months £374.00, 75.00, 76.00. Turnover: 13,050 tonnes.

Aluminm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	515-.5	—0.25	513-4	—3
3 months	534.5-5	—0.25	533-0.5	—2.5

ALUMINIUM—Morning: cash untraded, three months £538.50, 38.00, 37.50, 36.50, 35.00, 34.00, 34.50, 35.00. Kerbs: three months £535.00, 34.50, 35.00. Afternoon: cash untraded. Three months £534.00, 33.50, 34.00. Kerbs: three months £533.00. Turnover: 9,850 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
Spot	3020-5	+26.5	3010-5	+12.5
3 months	3010-5	+5	3010-5	—

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

NICKEL—Morning: cash £3,028, 25. Three months £3,005, 15, 20, 25, 16, 15. Kerbs: three months £3,020. Afternoon: cash untraded. Three months £3,010, 05, 10. Kerbs: three months £3,015. Turnover: 1,332 tonnes.

SILVER

Silver was fixed 11.15p an ounce lower for spot delivery in the London bullion market yesterday at 285.1p. U.S. cent equivalents of the fixing levels were: spot 490.1c, down 23.9c; three-month 509.5c, down 24.1c; six-month 528.2c, down 25c; and 12-month 569.6c, down 26.6c. The metal opened at 286-288p (493-497c) and closed at 279-282p (481-485c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	285.10p	—11.1	282p	—14.2
3 months	294.00p	—11.0	291.25p	—14
6 months	302.20p	—11.5	—	......
12months	322.20p	—12.0	—	......

LME—Turnover 82 (74) lots of 10,000 ozs. Morning: cash 284.9; three months 296.0, 95.5, 94.0, 94.2, 94.0, 94.2, 94.3. Kerb: 294.0, 93.5. Afternoon: three months 288.0, 91.9, 91.5, 91.7. Kerb: nil.

COCOA

Futures traded in mixed conditions with prices remaining within a narrow range. Actuals business was scarce, reports Gill and Duffus.

Sales: 1,340 (1,607) lots of 10 tonnes.

COCOA	Yest'day's Close	+ or —	Business Done
July	851-52	—5.0	859-46
Sept.	878-79	—7.0	885-73
Dec.	918-19	—6.0	923-14
March	955-56	—6.0	959-50
May	975-77	—8.0	976-75
July	995-99	—7.5	—
Sept	1015-20	—6.0	1023

ICCO—Daily price for June 21: 69.36 (70.06). Indicator price for June 22: 70.18 (70.04).

COFFEE

Indications of colder weather in Brazil failed to have a significant impact but appeared to influence a steadier tendency, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	1229-30	+3.0	1233-21
Sept	1133-35	+1.5	1139-23
Nov	1061-62	+1.0	1065-55
January	1032-35	+4.5	1036-28
March	1005-07	+4.5	1010-00
May	990-95	+5.0	995
July	980-90	—3.5	—

Sales: 1,502 (1,453) lots of 5 tonnes.

ICO Indicator prices for June 18 (U.S. cents per pound): Comp. daily 1979 (120.54 (120.46); 15-day average 121.70 (121.79).

SOYABEAN MEAL

The market opened 50p on weaker sterling, reports T. G. Roddick, but eased in quiet conditions and remained on the defensive with mixed selling.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
June	—	......	—
August	128.70-29.0	......	129.50-28.70
October	130.70-31.0	—0.10	131.40-30.80
Dec	134.50-34.9	—0.20	135.20-34.50
Feb	137.00-39.3	—0.10	—
April	138.00-41.0	+0.25	—

Sales: 28 (127) lots of 100 tonnes.

GRAINS

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent, July 113.00, Aug 111.50, Sept 111.00 transhipment East Coast sellers. English Feed fob, Sept 111.50, Oct 113.75, Oct/Dec 115.75 East Coast sellers. Maize: French, July 137.00 quoted transhipment East Coast. S. African White/Yellow, June/July 85.00 seller. Barley: English Feed fob, June 108.00 Dover, Aug 106.00 East Coast, Oct/Dec 112.00 East Coast sellers. Rest unquoted.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yest'rd'ys close	+ or —
July	114.35	—1.40	—	—
Sept.	107.80	—0.50	104.45	—0.20
Nov.	111.50	—0.50	108.05	—0.20
Jan.	115.30	—0.55	111.75	—0.25
Mar.	118.70	—0.45	114.95	—0.25
May	121.95	—0.50	118.15	—0.20

Business done—Wheat: July 115.50-114.10, Sept. 108.20-7.80, Nov. 111.50-108.05, Jan. 115.75-115.40, March 118.05-118.80, May 122.35-122.10. Sales: 213 lots of 100 tonnes. Barley: Sept. 104.50 only, Nov. 108.05 only, Jan. 112.00-111.90, March 115.05-115.00, May no trades. Sales: 79 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 105.90. The UK Monetary Coefficient for the week beginning Monday June 28 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

RUBBER

The London physical market opened easier, attracted little interest throughout the day, and closed quiet. Lewis and Peat recorded a July fob price for No. 1 RSS in Kuala Lumpur of 203.5 (204.75) cents a kg and SMR 20 174.5 (175.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
July	46.50-47.60	48.00-48.80	—
Aug	47.30-47.60	48.80-49.20	47.40
Jly-Sept	47.50-47.60	48.30-49.00	48.00-47.10
Oct-Dec	50.80-50.60	52.00-52.10	50.80-50.40
Jan-Mar	53.70-53.80	55.10-55.30	55.00-53.50
Apl-Jne	56.40-56.50	58.10-58.20	57.50-56.40
Jly-Sept	59.30-59.50	60.80-60.90	59.00
Oct-Dec	62.00-62.10	65.40-63.50	62.10
J'n-Mch	64.00-64.20	65.50-65.70	64.00-

Sales: 380 (291) lots of 15 tonnes, 2 (nil) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 46.00p (47.50p); July 50.25p (50.75p); Aug 51.00p (51.50p).

SUGAR

LONDON DAILY PRICE — Raw sugar £96.00 (same) a tonne cif June-July-August shipment. White sugar daily price £131.00 (£129.00).

Prices were again contained within a narrow range in dull trading conditions, reports C Czarnikow.

No. 4 Con-tract	Yesterday close	Previous close	Business done
	£ per tonne		
Aug	104.00-04.70	104.35-04.40	105.50-04.00
Oct	106.25-08.50	107.95-08.00	108.80-07.50
Jan	114.50-16.00	114.50-15.50	—
March	123.00-23.10	121.95-22.00	123.00-21.75
May	126.00-28.25	124.95-25.25	128.00-25.00
Aug	130.00-30.25	129.00-29.25	130.00-29.00
Oct	133.00-34.00	132.90-32.75	132.00

Sales: 2,182 (2,836) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £374.00 (same) a tonne fob for home trade and £200.50 (same) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for June 21: Daily price 6.51 (6.44); 15-day average 6.86 (6.95).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 370, 377, 370; Oct 389, 392, 390; Dec 396, 397, 396; Jan 397, 399, 398-397; March 408, 410, 410-408; May 420, 423, 421; Aug 430, 433, nil; Oct 432, 435, nil; Dec 435, 437, nil. Sales: 36.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 548.0, 547.5, 548.0-547.5; Oct 520.6, 521.5, 521.5-520.0; Dec 524.0, 524.5, 525.0-524.0; March 530.5, 532.5, 532.5; May 536.5, 537.0, 537.0-35.0; July 542.5, 544.5, 544.0-541.0; Oct 539.0, 540.5, 540.0-539.5; Dec 544.0, 549.0, untraded. Sales: 139.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 268 tonnes. After several very quiet sessions, business was brisker. Transactions included various growths in the Middle Eastern range, while African qualities were also in request.

POTATOES

LONDON POTATO FUTURES—The market was easier on favourable crop conditions giving rise to hedge-selling, reports Coley and Harper. Closing prices: Nov 58.00, —3.00 (high 60.50, low 58.00); Feb 65.00, —3.10 (high 68.00, low 65.00): April 72.00, —3.00 (high 75.00, low 72.00); May 81.00, —3.50 (high 84.00, low 81.00): Nov 65.70, unchanged (untraded). Turnover: 447 (243) lots of 40 tonnes.

PRICE CHANGES

In tonnes unless otherwise stated.

	June 21 1982	+ or —	Month ago
Metals			
Aluminium	$810/815	......	$810/815
Free Mkt.	$880/910	—12.5	$940/980
Copper			
Cash h grade	£690.25	—17	£815.75
3 mths	£711.75	—17	£845.5
Cash Cathode	£683.5	—14.5	£805.25
3 mths	£705.5	—14.5	£836.25
Gold troy oz	$295	—11.5	$328.5
Lead Cash	£282	—2.25	£310.625
3 mths	£292.5	—1.75	£323.25
Nickel	£3922	......	£3974
Free mkt	236/265c	......	235/265c
Platin'm tr oz'y	£260	......	£260
Freemkt.	£141.15	—4.2	£165.75
Quicksilvert	$370/380	......	$365/375
Silver troy oz	285.10p	—11.15	383.15p
3 mths	294.00p	—11.10	375.40p
Tin Cash	£6295	+820	£6950
3 mths	£6367.5	+815	£7095
Tungsten22.0lb	$110.92	......	$109.01
Wolfrm 22.4lbs	$115/118	......	$108/112
Zinc Cash	£370.5	—3.5	£411.5
3 mths	£373.5	—1.75	£417.75
Producers	$800	......	$880/900
Oils			
Coconut (Phil)	$490u	—2.5	$500
Groundnut	$575u	......	‡
Linseed Crude	£365	......	‡
Palm Malayan	$477.5y	......	$520
Seeds			
Copra Ph'lip	$330	—5	$335
Soyabean (U.S.)	$256.5	......	$275
Grains			
BarleyFut. Sep	£104.45	—0.20	£104.95
Maize	£137.00y	......	‡
Wheat Fut.Sep	£107.80	—0.50	£109.45
No.2HardWint	‡	......	‡
Other commodities			
Cocoa ship't*	£909	—7	£950
Future Sept	£878.5	—7	£924.5
Coffee Ft' Sept	£1134	+1.5	£1147
Cotton A.Index	74.75c	......	76.70c
Gas Oil July	$276	—3.5	$303
Rubber (kilo)	46p	—1.5	54p
Sugar (Raw)	$96uw	......	£110
Woolt'ps 64s kl.	398p kilo	+1	387pkilo

In tonnes unless otherwise state. ‡ Unquoted. x Aug-Sept. u June-July. y July. w Aug. † Per 76 lb flask. * Ghana coconut. n Nominal. § Seller.

INDICES

FINANCIAL TIMES

June 18	June 17	M'th ago	Y'ar ago
222.74	222.70	241.47	248.69

(Base: July 1, 1952 = 100)

REUTERS

June 21	June 18	M'th ago	Y'ar ago
1490.6	1492.6	1560.3	1747.9

(Base: September 18, 1931 = 100)

MOODY'S

June 18	June 17	M'th ago	Y'ar ago
964.9	965.6	1005.0	1066.0

(December 31, 1931 = 100)

DOW JONES

Dow Jones	June 18	June 17	Month ago	Year ago
Spot	119.12	119.33	126.09	—
Futr's	117.14	116.97	128.33	—

(Base: December 31, 1974 = 100)

AMERICAN MARKETS

NEW YORK, June 21.

Gold and silver found support late in the day on commission house short-covering. Copper firmed after early losses on late short covering and trade buying. Sugar rallied on arbitrage while dealer selling continued to keep cocoa and coffee under pressure. Cotton rallied sharply on heavy damage to the Texas crop. The livestock complex was limit up on buying ahead of the pig crop report. The grain complex attracted short-covering on commercial buying, reported Heinold.

Copper—June 54.55 (54.15), July 54.75-55.00 (54.40), Aug. 55.65, Sept. 56.45-56.70, Dec. 59.00-59.20, Jan. 59.75, March 61.30, May 62.85, July 64.45, Sept. 65.90, Dec. 68.40, Jan. 69.15, March 70.75.

Potatoes (round whites)—Nov. 68.0-68.5 (69.8), March 78.4 (80.0), April 86.1-86.5.

¶Silver—June 498.0 (509.5), July 497.0-500.0 (510.5), Aug. 505.8, Sept. 511.0-513.5, Dec. 531.5-534.0, Jan. 536.0-541.0, March 551.0-552.7, May 567.0, July 580.6, Sept. 594.2, Dec. 614.6, Jan. 621.4, March 635.0. Handy and Harman bullion spot: 488.50 (516.00).

Sugar—No. 11: July 6.83-6.84 (6.77), Sept. 7.16-7.18 (7.09), Oct. 7.30-7.31, Jan. 8.02, March 8.60-8.62, May 8.89, July 9.10, Sept. 9.24-9.32, Oct. 9.30-9.40. Sales: 7,051.

Tin—490.00-510.00 (443.00-448.00).

CHICAGO, June 21.

Lard—Chicago loose 23.00 (same).

Live Cattle—Aug. 64.70 (63.20), Oct. 60.75 (59.25), Dec. 61.16, Feb. 61.05, April 61.02, June 62.50.

Live Hogs—July 58.87 (57.37), Aug. 57.27 (55.77), Oct. 53.82, Dec. 53.35, Feb. 52.00, April 49.47, June 51.17, July 50.75, Aug. 52.75.

‡‡Maize—July 273¾-274 (274), Sept. 269¾-270 (269¼), Dec. 272-272¼, March 286½, May 296½, July 303½.

Pork Bellies—July 70.85 (68.85), Aug. 68.45 (66.45), Feb. 70.25, March 70.40, May 70.10, July 70.65, Aug. 70.00.

†Soyabeans — July 632-630½ (624½), Aug. 634½-635½ (627), Sept. 634½-635½, Nov. 640-641, Jan. 655-655¼, March 671½, May 685½, July 696.

‖Soyabean Meal — July 184.3-184.1 (181.7), Aug. 184.3-184.5 (181.9), Sept. 185.5, Oct. 185.8, Dec. 189.8-190.0, Jan. 192.5-192.0, March 196.5-197.0, May 200.9-201.0, July 205.3-205.5.

Soyabean Oil — July 18.96-18.93 (18.80) Aug. 19.18-19.17 (19.05), Sept. 19.40, Oct. 19.67, Dec. 20.03-20.00, Jan. 20.27-20.30, March 20.55-20.60, May 20.85-20.86, July 21.20-21.21.

†Wheat—July 338½-339 (335), Sept. 354-353½ (350¼), Dec. 376-376½, March 391-390, May 396, July 393½.

WINNIPEG, June 21.

§Barley—July 123.8 (122.8), Oct. 123.6 (122.1), Dec. 124.4, March 127.5.

*Gold—June 301.5 (304.2), July 301.5 (305.2), Aug. 304.5-305.4, Oct. 312.0-312.5, Dec. 319.5-320.5, Feb. 327.8, April 334.9, June 341.0, Aug. 350.6, Oct. 358.6, Dec. 366.7, Feb. 374.9, April 383.2.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

ROTTERDAM, June 21.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent, July 174, Aug 174. U.S. No. Three Amber Durum, June 175, July 176, Aug 179. U.S. No. Two Northern Spring, 14 per cent, June 179, July 176, Aug 174, Sept 174. Canadian Western Red Spring, July/Sept 195.

Maize—(U.S. $ per tonne): U.S. No. Three Yellow, afloat 126, June 125.75, July 126, Aug 126.75, Sept 125.50, Oct/Dec 124, Jan/March 133 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports, July 250.50, Aug 252.25, Sept 254.50, Oct 249.50, Nov 249.50, Dec 255, Jan 260, Feb 265, March 268 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent, afloat 212, June 215, July 218, Aug 220, Sept 222, Oct 223.50, Nov/March 232 sellers. Brazil Pellets, afloat 215 traded, afloat 216, June 225, July 227, Aug 229, June/Sept 227, Nov/March 250 sellers.

PARIS, June 21.

Cocoa — (FFr per 100 kilos): July 1000-1025, Sept 1038-1045, Dec 1080-1090, March 1135-1145, May 1175-1185, July 1215-1225, Sept 1245-1255. Sales at call.

Sugar—(FFr per tonne): Aug 1525-1530, Oct and Nov 1475-1480, Dec 1465-1475, March 1563-1567, May 1596-1610, July 1620-1630, Aug 1640-1650. Sales at call: one.

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 78.5 to 84.2; Ulster hindquarters 99.0 to 102.0, forequarters 54.5 to 57.0. Veal: Dutch Hinds and Ends 116.0 to 121.0. Lamb: English Small 69.3 to 76.7, Medium 72.0 to 75.0, Heavy 64.0 to 68.0; Scottish Heavy 62.0 to 66.0; Imported—New Zealand PL 61.5 to 62.8, PM 61.0 to 61.5, PX 59.0 to 59.5, YL 59.5 to 60.2. Pork: English, under 100 lb 38.0 to 53.5, 100-120 lb 41.0 to 52.5, 120-160 lb 41.0 to 49.5.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 100.32 per kg lw (+1.38). GB—Sheep 154.53p per kg est dcw (+11.93). GB—Pigs 76.27p per kg lw (+5.49).

GRIMSBY FISH — Supply good, (unprocessed) per stone: shelf cod £4.50-£5.30, codlings £3.20-£3.90; large haddock £4.00-£4.40, medium £3.60-£4.60, small £2.00-£3.60; medium plaice £5.00-£6.80, best small £3.70-£4.70; skinned dogfish (medium) £7.00-£8.50; lemon soles (large) £8.00, (medium) £7.00; rockfish £2.10-£2.80; saithe £2.00-£2.70.

COVENT GARDEN — Prices for the demand good. Prices at ships side bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Jaffa: 20-kg Valencia Lates 56 6.25, 60 6.35, 75 6.25, 88 5.85, 105 5.90, 123 4.95, 144 4.60, 168 4.50; Moroccan: 15-kg Valencia Lates 48/113 3.80-6.00; Outspan: Navels 40 5.50, 48 5.70, 56 6.35, 72 6.25, 88 5.60, 112 5.20, 138 4.30, 150 3.90. Topaz—Israeli: 56/72 6.50-7.00. Lemons — Spania: trays 5-kg 40/50 1.60-2.00; Outspan: 15½-kg 80/18/ 4.50-6.50. Grapefruit—U.S.: 16/17-kg. Florida Ruby 9.50-10.00; Jaffa: 20-kg 27 4.25, 32 4.45, 36 4.65, 40 4.90, 48 5.25, 56 5.30, 64 5.15, 75 4.95, 88 4.00; Californian: Pink 7.50; S. African: 27 4.60, 32 5.25, 36 5.25, 40 5.26, 48 5.40, 56 5.35, 64 4.65, 72 4.35—Ruby same as White. Apples—French: Golden Delicious 18-kg 8.00-9.00; Tasmanian: Golden Delicious 11.00-12.00, Jonathan 11.00, Granny Smith 9.50-10.00, Strumer Pippins 10.50-11.00; Australian: King Cole 12.00-12.50, Granny Smith 9.50-10.00; New Zealand: Granny Smith 10.00-10.80, Sturmers 11.00-11.50; S. African: Granny Smith 9.50-10.50, Golden Delicious 12.50-13.50, Starkcrimson 9.00-10.00; U.S.: 18-kg Red Delicious 9.00-13.00. Pears—Australian: Winter Nelis 13.50-14.50; Tasmanian: Packham's Triumph 14.50-15.00; S. African: 15-kg Packham's Triumph 13.50-15.00, Winter Nelis 11.50-12.50, Josephines 13.50-14.50; Chilean: Packham's Triumph 20-kg 15.00; Australian/Tasmanian: Josephines 15.00-16.00. Peaches — Spanish: 2.50-4.00; Italian: Standard trays 2.00-3.50, large trays 2.50-4.00; French: A/AAA 3.80-4.50; U.S.: Each 0.15-0.20. Plums—Italian: Florencia per lb 0.40; Spanish: 11-lb Red Beauty per lb 0.45-0.60, Japanese 11-lb, per lb 0.30-0.50; U.S.: 28-lb, per lb 0.70. Grapes—Israeli: Perlette 7.65; Chilean: 5-kg Almeria 8.20, Red Emperor 6.25-6.50; S. African: Barlinka 8.00, Almeria 8.00. Raspberries—U.S.: 1.80. Gooseberries—Hungarian: 6-kg 3.00. Cherries—French: Per lb 0.20-0.30; Turkish: Per lb 0.50; Italian: 0.30-0.75. Apricots—Spanish: 5-kg 2.00-3.00. Nectarines—Italian: 4.00-6.00. Melons—Spanish: Galia 2.00-4.00, Yellow 10-kg 4.00-5.00; Israeli: Yellow 4.50-5.50; French: Charantais 11/15 10.00-15.00. Water Melons—Spanish: 15-kg 4.50; Israeli: 6.00. Pineapples—S. African: 5/9 5.00-6.00; Ivory Coast: 20's 0.45, 12's 0.75; Kenyan: 6's each 1.70.

Dow regains 7 points by 1 pm

AFTER LAST week's sharp fall, Wall Street showed no decided trend for most of yesterday morning but began to rally smartly around mid-session on bargain hunting.

The Dow Jones Industrial Average, which lost 21 points last week to set a 26-month low, had recovered 7.04 to 795.66 by 1 pm yesterday. The NYSE All Common Index recouped 33 cents at $62.07, while volume was a fairly large 37.63m shares, against Friday's 1 pm figure of 39.18m.

Analysts said the market may have received boost from a projection from the Commerce Department that the Gross National Product would rise 0.6 per cent in the second quarter. If the projection proves correct, it would be the first increase in GNP since the third quarter of 1981.

Blue Chip stocks led the rally, with IBM up ⅞ to $59⅞, U.S. Steel ¼ to $18¾, General Motors ⅜ to $45¼ and ATT ⅛ to $50⅞, all in active trading.

Cities Service, the volume leader, was unchanged at $53⅛ on turnover of some 1.6m shares. It was followed by Mesa Petroleum, the apparent loser in the battle for Cities, which declined 2¼ to $14¼ after a late opening. Gulf, which has agreed to buy Cities for $63 a share, was up ½ to $28.

MCA put on 1⅜ to $59⅞. Its newest film release, "E.T.," is a big hit at the box office.

THE AMERICAN SE Market Value Index improved 0.11 to 246.49 at 1 pm. Volume 2.91m shares.

Canada

Shares remained generally in easier vein in moderate early dealings. The Toronto Composite Index slipped 4.6 to 1,360.5 at mid-session, while Oil and Gas shed 28.2 to 2,333.3 and Golds 89.5 to 1,370.9.

As the price of Gold came under pressure, Dome Mines shed ⅜ to C$7⅞, Campbell Red Lake ¾ to C$10½ and Kerr Addison Mines ½ to C$12.

Closing prices for North America were not available for this edition.

Tokyo

Shares mostly drifted lower in an extremely light business, further undermined by renewed yen weakness, Friday's fresh Wall Street fall and high U.S. interest rates.

The Nikkei-Dow Jones Average receded 36.59 more to 7,091.11, the sixth consecutive session of decline. The Tokyo SE index ended 2.77 down at 533.60, while volume amounted to just 110m shares on the First Market, almost half of Friday's modest 210m.

Hitachi shed Y8 to Y674, tric Y17 to Y802, Matsushita Electric Y30 to Y1,020, Pioneer Electronic Y50 to Y1,500, Ricoh Y9 to Y471 and Isuzu Motor Y5 to Y332, but Sony added Y40 at Y3,320 and Olympus Y5 at Y895 against the trend.

Oils resumed their fall, continuing to be greatly affected by movements in the yen-dollar rate. Nippon Oil retreated Y8 to Y871 and Teikoku Oil Y15 to Y849.

Mining shares fell as a result of the drop in the prices of gold and other non-ferrous metals with the end of the Falklands fighting. Sumitomo Metal Mining, down Y44 at Y716, remained plagued by persistent rumours that an influential Japanese speculator was unloading Sumitomo shares. Mitsubishi Metal lost Y5 to Y246.

Limited bargain hunting emerged for some Construction companies and Foods, but low-priced Domestic Industry issues ended generally easier.

Germany

Bourse prices made another weak showing, depressed by high U.S. interest rates, a rising U.S. dollar and the recent falls on Wall Street. The Commerzbank index lost 6.9 to 679.1.

Concern over continued stagnation of the West German economy added to the downward pressure, as did weekend news that the U.S. is widening its trade sanctions against the Soviet Union.

AEG, which said its DM 650m contract on the Siberian gas pipeline project is jeopardised, finished DM 3.30 weaker at an all-time closing low of DM 28.80, having at one point touched DM 27. Mannesmann, the project's major pipe supplier, was down DM 2 at DM 138.80.

Milan

A good technical rally ensued as intervention by institutional investors, especially banks, staved off an expected fall in prices. The Banca Commerciale Italiana Index picked up 2.98 to 160.74.

A broker said he had expected share prices to fall after banker Roberto Calvi's death over the weekend, with the decline weighing most heavily on shares of the deceased banker's Banco Ambrosiano Group. Instead, shares in the group's La Centrale holding company and Toro Assicurazioni insurance company rose. Centrale recovered L280 to L2,390 and Toro L500 to L10,610.

Johannesburg

The fall in the Gold Bullion price to below $300 an ounce triggered a sharp decline in nearly all sectors of the Johannesburg Stock Exchange. A dealer reported a good deal of overseas selling.

The general market fall also reflected growing pessimism about prospects for the South African economy. Most economists forecast a negative growth rate for 1983, the first since the great depression.

Heavyweight Gold Producers lost up to 425 cents, as in Harties, at R38.00.

Australia

A widespread fresh retreat took place in light trading following lower metal prices, Wall Street's continued downtrend last Friday and signs of further upward pressure on U.S. interest rates.

The Australian All Ordinaries Toshiba Y6 to Y313, Nippon Elec- index slipped 7.3 to 462.3, Metals and Minerals 11.2 to 310.5, Oil and Gas 9.8 to 419.0 and All Industrial 4.6 to 632.3.

Among Minings, Central Norseman Gold dipped 50 cents to A$3.20, Peko-Wallsend 30 cents to A$3.70, Poseidon 10 cents to A$1.25, Western Mining 14 cents to A$2.88 and CRA 12 cents to A$2.53.

In the Oils group, Santos lost 13 cents to A$4.75 and Crusader Oil 45 cents to A$4.25.

BHP shed 4 cents to A$7.00, equalling its previous 1982 low, while CSR fell 8 cents to a new low for the year of A$2.50.

Retailer Grace Bros, at A$3.35, surrendered 17 cents of Friday's advance of 47 cents. Bond, which has said it is considering a full take-over offer for Grace, declined 8 cents to A$1.12.

Hong Kong

Continued upward pressure on U.S. interest rates, the weak Hong Kong dollar against the U.S. unit and the fresh decline on Wall Street last Friday drove Hong Kong shares sharply and broadly lower yesterday.

The Hang Seng index fell 38.77 to 1,266.61, although turnover remained thin, totalling HK$147.10m on the four exchanges.

Brokers noted that the 1,300 barrier gave way very easily, indicating that sentiment is clearly bearish. Several pointed out, however, that the market will remain volatile. A correction upward on Wall Street, an analyst said, could send the market back up sharply, even if temporarily.

Despite the gloom, several observers took some cheer from the light trading activity. They said that this indicates that the institutions are sitting tight for the time being and that smaller operators are responsible for the selling.

Jardine Matheson, HK$16.60, and Hutchison, HK$15.40, lost 50 cents apiece, while Cheung Kong slipped 70 cents to HK$14.80 in Properties and China Light 50 cents to HK$15.90 in Utilities.

Indices

NEW YORK —DOW JONES

	June 18	June 17	June 16	June 15	June 14	June 11	1982 High	1982 Low	Since Cmpil'tn High	Since Cmpil'tn Low
● Industr'ls	788.62	791.48	795.90	801.27	801.85	809.74	882.52 (4/1)	788.62 (18/6)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	58.04	58.94	58.59	58.65	58.86	58.77	60.27 (27/5)	55.57 (12/2)	—	—
Transport.	305.01	306.35	310.76	312.80	314.22	316.56	389.46 (7/1)	305.01 (18/6)	447.38 (16/4/81)	12.32 (8/7/32)
Utilities	108.70	107.09	108.48	108.87	109.22	108.88	116.95 (7/5)	103.61 (15/1)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	53,800	48,230	58,280	44,870	40,108	58,610	—	—	—	—

● Day's high 793.57 low 784.53

Indust'l div. yield %	June 11	June 4	May 28	Year ago (Approx)
	6.90	6.93	6.80	5.48

STANDARD AND POORS

	June 18	June 17	June 16	June 15	June 14	June 11	1982 High	1982 Low	Since Cmpil'tn High	Since Cmpil'tn Low
‡Indust'ls	118.88	120.15	121.59	122.56	122.88	124.55	157.28 (4/1)	118.41 (8/5)	160.98 (28/11/80)	3.52 (30/6/32)
§Comp'site	107.28	107.60	108.87	109.65	109.98	111.24	122.74 (4/1)	107.28 (18/6)	140.52 (28/11/80)	4.407 (1/6/32)

	June 16	June 9	June 2	Year ago (approx)
Indust'l div. yield %	5.97	5.96	5.79	4.73
Indust'l P/E ratio	7.65	7.66	7.86	9.51
Long Gov. Bond yield	13.66	13.39	13.24	12.48

NY. S.E. ALL COMMON

June 18	June 17	June 16	June 15	1982 High	1982 Low
61.74	61.96	62.67	63.05	71.80 (4/1)	61.96 (17/6)

Rises and Falls

	June 18	June 17	June 16
Issues Traded	1,828	1,850	1,848
Rises	452	376	603
Falls	928	1,056	814
Unchanged	448	419	431
New Highs	8	7	10
New Lows	171	162	129

MONTREAL

	June 18	June 17	June 16	June 15	1982 High	1982 Low
Industrials	252.32	252.82	254.81	255.56	332.78 (4/1)	252.32 (18/6)
Combined	239.68	240.84	244.17	246.01	316.08 (4/1)	239.68 (18/6)
TORONTO Composite	1365.1	1377.5	1404.8	1415.5	1956.3 (4/1)	1365.1 (18/6)

	June 21	June 18	June 17	June 16	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	462.3	469.6	475.8	474.4	595.5 (4/1)	455.6 (10/6)
Metal & Minls. (1/1/80)	310.5	321.7	329.2	329.3	425.1 (5/1)	310.5 (21/6)
AUSTRIA Credit Aktien (2/1/62)	50.82	50.87	50.82	50.82	55.96 (4/1)	50.82 (21/6)
BELGIUM Belgian SE (31/12/63)	95.05	92.88	92.91	95.47	102.45 (5/4)	86.42 (20/1)
DENMARK Copenhagen SE (1/1/73)	109.91	108.99	109.31	108.55	128.22 (25/2)	108.55 (16/6)
FRANCE CAC General (31/12/81)	(u)	106.6	105.2	104.7	111.6 (12/5)	95.5 (4/1)
Ind Tendance (31/12/81)	111.0	110.0	115.5	116.2	124.8 (12/5)	97.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	222.25	224.72	(c)	225.48	239.45 (5/4)	215.55 (18/1)
Commerzbank(Dec1953)	676.1	686.0	(c)	681.6	729.8 (5/4)	665.7 (18/1)
HOLLAND ANP-CBS General (1970)	87.1	87.6	88.5	88.4	95.8 (10/5)	84.8 (9/1)
ANP-CBS Indust (1970)	67.5	67.8	68.4	68.8	74.8 (10/5)	65.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64)	1266.61	1305.38	1319.08	1311.76	1445.32 (12/1)	1129.83 (9/3)
ITALY Banca Comm Ital.(1972)	160.74	157.81	156.98	160.19	212.89 (19/5)	156.98 (17/6)
JAPAN** Dow Average (16/5/49)	7091.11	7127.7	7150.25	7142.89	7928.55 (27/1)	6869.55 (17/6)
Tokyo New SE (4/1/68)	533.60	536.37	536.28	536.71	583.25 (27/1)	520.70 (17/6)
NORWAY Oslo SE (1/1/72)	115.55	115.4	116.21	117.57	150.39 (26/1)	105.12 (1/6)
SINGAPORE Straits Times (1966)	697.98	712.21	718.14	716.49	818.75 (6/1)	697.49 (9/3)
SOUTH AFRICA Gold (1958)	(u)	520.4	558.1	568.7	568.3 (5/1)	358.1 (17/6)
Industrial (1958)	(u)	567.7	523.3	526.3	711.7 (5/1)	520.4 (18/6)
SPAIN Madrid SE (30/12/81)	(c)	99.24	99.35	100.06	107.45 (9/2)	98.21 (26/5)
SWEDEN Jacobson & P. (1/1/58)	589.85	585.05	587.15	586.48	655.52 (22/1)	583.32 (29/4)
SWITZERLAND Swiss Bank Cpn.(31/12/58)	2441.6	243.4	246.4	248.1	255.1 (11/1)	241.4 (21.6)
WORLD Capital Intl. (1/1/70)	—	124.3	125.4	127.1	147.2 (4/1)	124.8 (18/6)

(**) Saturday June 19: Japan Dow (c), TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500, NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Cities Service	5,420,200	53⅛	+15⅛	General Mtrs	471,100	45⅛	+ ⅛
Mesa Petrlm.	1,535,300	16½	− ⅛	NLT	463,000	28	+ 2⅝
Gulf Oil	1,401,700	27⅝	− 3⅛	Philbro-Sal'n	462,000	21⅛	+ ⅜
Exxon	686,600	27⅛	+ ⅛	Amr. Express	449,900	40⅝	− 1
Sony	486,300	13⅛	+ ⅞	Time	420,500	28⅝	− ¼

LONDON STOCK EXCHANGE

Another depressing day but equities stage welcome late rally on technical influences—Gilts follow

Account Dealing Dates

Option

*First Dealings	Declara-tions	Last Dealings	Account Day
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12
July 5	July 15	July 16	July 26

* "New time" dealing may take place from 9 am two business days earlier.

Still mesmerised by rising short-term U.S. interest rates and the dollar's surge to an overall twelve-year peak against Continental currencies, London stock markets wilted badly again yesterday. Sir Geoffrey Howe's call for America to adopt tighter monetary policies went unheeded as London equity markets floundered along with Gilt-edged securities and Gold mining shares.

Small private investors were unnerved by the international currency crisis and sales from this source aggravated an equity market unwilling to take stock and all too ready too retreat in the continued absence of investment support. The plight of Wall Street, currently at a 26-month low, also affected confidence and selected London industrial leaders were recording double-figure falls just before noon.

Sterling's continued weakness against the dollar yesterday worried operators, but the pound's recovery from the lowest levels touched off a technical rally. The movement gathered impetus in the afternoon, particularly in the after-hours' trading, with the result that many equity losses were sharply reduced. Measuring the recovery, the FT Industrial Ordinary share index reduced a drop of 11.9 at noon to one of only 3.1 at the close of 554.9. Secondary equities were extremely quiet, but weekend Press comment aroused activity in one or two issues.

The pound's early fall against the dollar caused more anxiety in the Gilt-edged market. Nervous selling was encountered and longer-dated stocks retreated ¾ further, while the shorts gave up ¼ more. Cheap buying and bear-closing later initiated a technical recovery in the wake of sterling's steadier trend and the longs closed a maximum of ½ lower on balance. The tap, £30-paid Treasury 12¼ per cent Convertible 1986, typified the performance of the shorts, closing ⅛ down at 28¼, after 28⅛.

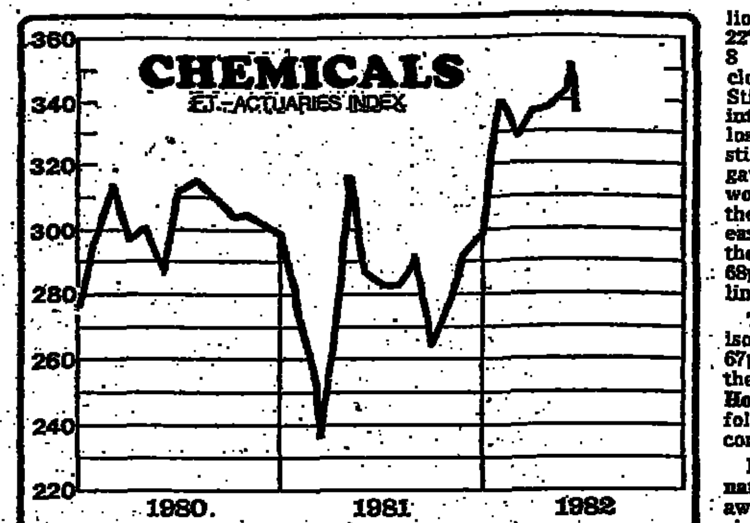
Minet feature

A further bout of speculative buying fuelled by takeover hopes helped Minet to feature an otherwise depressed Insurance sector; the shares, ex the scrip issue, opened at 139p and made good headway to close a net 8 up at 148p.

The major clearing banks, additionally burdened by adverse Press comment, made a drab showing, but edged away from the day's lowest in after-hours' dealings. Lloyds finished 13 down at 375p, after 372p, and NatWest 10 off at 422p, after 420p. Midland shed 7 to 328p, while Barclays, quoted ex the scrip issue, sustained a similar fall at 375p. Discount houses were inclined easier, as were Merchant Banks and Overseas banks.

Leading Buildings met early selling, but selected issues closed above the worst. Blue Circle reacted to a 1982 low of 426p before picking up to close 8 down on balance at 430p, while BPB, down to 404p at one stage, rallied well to settle a net 2 up at 410p. Tarmac were quoted ex the scrip issue and retreated to 270p before finishing 16 down on balance at 272p. Fading hopes of an early cut in interest rates prompted further selling among housebuilders which showed no signs of rallying late; Barratt Developments dropped 12 to 274p. Speculative counter Tilbury Group lost 13 to 505p, but Burnett and Hallamshire hardened 5 to 315p in front to today's preliminary results.

After opening a shade easier at 310p, ICI drifted back to 306p before closing unaltered on balance at 312p. Fisons finished a few pence dearer at 355p, after 345p. Among other Chemicals, British Benzol recovered from 10p to close fractionally better on the day at 11½p following the return to profitability.



A. Caird react

Stores rallied with other markets and closed unaltered to a shade easier. After the two-day jump of 115p on the proposed capital reorganisation and the 37 per cent participation by Parque Investment, A. Caird met profit-taking and fell 40 to 370xd. Polly Peck shed 11 more to 314p and the associated Wearwell eased 3 more to 41p.

Leading Electricals usually closed only a few pence easier on the day after showing marked weakness. GEC finished a penny off at 924p, after 912p, while Plessey ended 5 lower at 450p, after 445p. Awaiting today's preliminary figures, Racal eased to 413p but recovered to close 5 higher on the day at 423p. Some of the more popular secondary issues recorded fairly substantial falls, Eurotherm reacting 15 to 383p. Cable and Wireless turned reactionary at 268p, down 7, while Farnell ended similarly lower at 185p.

Leading Engineerings followed the general trend, early losses being reduced by a few pence or so. GKN closed a couple of pence cheaper at 147p, after 144p and TI ended without alteration at 120p, after 118p. Hawker, in contrast, finished 4 up on balance at 326p, after being down to 318p at one stage. Elsewhere, G. M. Firth met fresh offerings and gave up 10 to 140p along with Pegler-Hattersley, which fell 9 further to 188p. Occasional offerings in a restricted market left United Engineering 15 lower at 240p. Staveley, down 7½ more at 243p xd, failed to benefit from the acquisition of RHM's minority interest in British Salt. Fresh selling left McKechnie 3 lower at 98p, while GEI ended similarly cheaper at 75p, the last-named in front of today's annual results.

Selected Foods joined in the late rally, Cadbury Schweppes reverting to 96p, after 93p. Among Food Retailers, J. Sainsbury gave up 10 to 620p and Hillards 6 to 148p, while William Morrison shed 4 to 132p. Bishop's Group A moved against the trend, rising 10 to 120p. Elsewhere, Somportex, a thin market, shed 13 to 90p.

Grand Metropolitan closed 3 cheaper at 222p, after 219p, while Trusthouse Forte, interim results due on Thursday, softened a penny to 120p. After Friday's gain of 4 following the increased preliminary profits, Brent Walker eased 3 to 65p.

Johnson Matthey down

A largely technical rally left most leading miscellaneous industrials above the day's worst. Glaxo, down to 678p at one stage, finished 6 cheaper on balance at 683p, while Metal box finished 7½p lower at 152p xd, after 150p xd. Bowater, in contrast, managed a gain of a penny at 202p after touching 197p. Elsewhere, Johnson Matthey encountered renewed selling on the weak bullion price and weakened 11 to 227p. Hepworth Ceramic reacted 8 to 113p and Hanson Trust closed similarly lower at 158p xd. Still reflecting the sharp fall in interim profits, Thomas French lost 5 further to 110p. Chubb, still reflecting rights issue fears, gave up 3 more to 103p. Wedgwood remained overshadowed by the first half profit setback and eased 2 further to 70p. Against the trend, Whitecroft firmed 2 to 68p following satisfactory preliminary results.

Trident TV provided an isolated firm spot, adding 3 to 67p following a reappraisal of the company's casino interests. Horizon Travel lost 4 to 186p, following further adverse Press comment.

In Newspapers, News International pulled a little further away from the 1982 low with a rise of 2 to 95p. Among Publishers, Routledge and Kegan Paul met renewed demand and, in a thin market, jumped 28 to 278p. Delyn rose 3 to 24p on the sharply improved profits and return to dividends, while Allied Industrial Designers (AID) put on a penny to 30½p following the half-year results and dividend forecast. Olives Paper Mill gained 2 to 31p, but Bunzl Pulp and Paper gave up 5 to a 1982 low 162p.

Scattered selling left its mark on Properties, but the leaders closed above the worst with Land Securities touching a 1982 low of 270p before closing 4 cheaper on balance at 271p. Haslemere Estates shed 6 to 352p, while Centrovincial Estates cheapened 3 to 170p, the latter awaiting today's preliminary results. Property Partnerships stayed at 218p following the increased dividend despite the lower annual profits. Light offerings clipped 10 from United Real to 390p and 7 from Warner Estates to 283p.

Oils little changed

A few pence easier initially, most Oils rallied to close a shade harder on balance. Sentiment was less affected than recently by Middle East uncertainties. The two leaders were finally unchanged on Friday's overnight levels of 302p for British Petroleum and 400p for Shell.

In Overseas Traders, 1982 lows were recorded in Tozer Kemsley down 2 to 58p, and Inchcape, 5 off for a three-day fall of 38 to 255p, the later on disappointing results. Other dull spots included Ocean Wilsons, 3 down at 38p.

Trusts followed the general reaction in equities.

Shippings were inclined easier, British and Commonwealth turning reactionary and giving up 11½ to 438p xd.

Fairly numerous losses to a couple of pence were seen in Textiles, although Courtaulds recovered to close unchanged at 77p, after 75p. Small and Tidmas, 68p, and Highams, 41p, were exceptionally dull with losses of 5 and 4 respectively, while A. Beckman eased 2 to a low for the year of 70p. Fresh peaks, on the other hand, were recorded in A. Martin, 3 up at 35p, and Stirling Group, 2 harder at 69p. Other firm spots were few, but Early's of Witney gained a penny to 24p.

Tobaccos closed two or three pence above the worst with Imps finally unaltered at 96p, after 94p. Rothmans also closed unchanged, at 90p, after 87p, while Bats ended 3 off at 440p, after 438p.

Anglo-Indonesian stood out in Plantations with a fall of 5 to a 1982 low of 68p.

Fears about the depressing effects of the slump in gold bullion on the country's economy left South African industrials with widespread sharp falls. Greatermans Stores A, down 60 on Friday, lost 10 to 240p, while OK Bazaars gave up 50 at 625p, Rex Trueform A 40 to 220p and S. A. Breweries 10 to 158p.

Golds weak again

Increased pressure on the bullion price prompted further widespread and often substantial falls among South African Golds. Bullion opened sharply lower, rallied slightly during the afternoon, but fell away again to close a net $11.5 lower at $296 an ounce—the lowest since early-August 1979.

Although support was expected to materialise as the metal price fell below $300 an ounce, prices finished at the bottom with sporadic bear covering erased by bouts of late selling emanating from the Continent. The Gold Mines index closed 12.2 down at 183.2—also the lowest since August 1979.

Heavyweights closed with falls extending to more than a point. Hartebeest gave up 1¼ to £17½, while Vaal Reefs dipped ⅞ to £22¼, and President Brand lost ⅞ to £10⅞. Elsewhere, Durban Deep declined 65 to 551p and Libanon 34 to 639p. Among the smaller-priced marginals, Loraine, 73p, and South African Land, 98p, eased 13 and 16 respectively. News that State aid is to be withdrawn from the company from next year resulted in marked weakness in West Rand Consolidated, 12 cheaper at 57p.

South African Financials were marked lower in sympathy with Golds and many recorded 1982 lows. "Johnnies" were particularly weak at £20, down 3½, while Gold Fields of South Africa fell 1½ to £19½ and Gencor 45 to 585p.

London-based Financials reflected the UK equity market and finished a shade above the day's worst. Gold Fields ended 8 off at 315p, after 310p, while RTZ fell to 344p before closing a net 11 lower at 347p.

A markedly easier trend was also discernible among Australians. CRA, fell 10 to 148p, while Seltrust A eased 3 to 30p. Gold Mines of Kalgoorlie gave up 20 to 155p, Poseidon cheapened 7 to 71p and Central Norseman plummeted 43 to 173p.

Business in Traded Options contracted with 1,272 deals arranged. Calls amounted to 656 and puts to 616.

FINANCIAL TIMES STOCK INDICES

	June 21	June 18	June 17	June 16	June 15	June 14	A year ago
Government Secs	68.60	68.95	69.31	69.65	69.69	70.03	66.15
Fixed Interest	69.51	69.93	70.29	70.35	70.42	70.57	67.45
Industrial Ord	554.9	558.0	559.4	568.5	570.9	578.8	544.3
Gold Mines	183.2	195.4	203.2	211.1	210.8	220.4	312.1
Ord. Div. Yield	5.64	5.61	5.58	5.51	5.46	5.43	5.89
Earnings, Yld.% (full)	11.75	11.68	11.63	11.47	11.42	11.31	11.76
P/E Ratio (net) (*)	10.35	10.41	10.45	10.60	10.65	10.74	10.61
Total bargains	15,605	16,751	14,869	15,052	17,842	15,096	18,500
Equity turnover £m	—	137.05	118.73	99.71	147.64	101.92	89.75
Equity bargains	—	13,076	12,050	11,216	13,914	12,910	13,045

10 am 552.0. 11 am 548.3. Noon 546.1. 1 pm 546.8.

2 pm 547.3. 3 pm 549.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=9.58.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.40 (7/6)	61.89 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	70.57 (14/6)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	594.0 (3/5)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	302.0 (5/1)	183.2 (21/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	June 18	June 17
—Daily		
Gilt Edged Bargains	160.8	146.4
Equities Bargains	84.7	78.1
Value	277.0	240.0
5-day Avrge.		
Gilt-Edged Bargains	165.9	167.6
Equities Bargains	81.8	81.3
Value	244.5	239.7

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Mon June 21 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri June 18 Index No.	Thur June 17 Index No.	Wed June 16 Index No.	Tues June 15 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	377.45	−1.1	9.59	4.43	12.89	381.58	384.61	388.59	390.67	342.24
2	Building Materials (23)	317.77	−2.0	12.47	6.29	9.66	324.12	330.88	332.46	333.97	298.32
3	Contracting, Construction (26)	578.23	−2.8	14.88	5.30	7.92	594.72	606.30	614.46	615.48	550.95
4	Electricals (31)	1427.48	−0.4	6.78	2.10	18.75	1432.99	1437.07	1444.39	1453.60	1069.90
5	Engineering Contractors (11)	470.39	−1.2	14.09	6.44	8.53	475.94	480.72	488.33	490.80	483.60
6	Mechanical Engineering (67)	194.59	−0.4	11.80	6.01	10.23	195.39	196.07	200.31	201.61	272.21
8	Metals and Metal Forming (11)	147.41	−3.0	12.16	8.16	10.29	151.95	155.34	156.75	159.43	160.51
9	Motors (20)	88.87	−0.3	1.93	7.96	—	89.17	89.41	91.17	91.83	102.52
10	Other Industrial Materials (18)	344.69	−2.1	10.55	6.18	11.64	351.91	356.34	361.29	360.36	372.21
21	CONSUMER GROUP (201)	299.56	−1.1	13.24	5.84	9.14	303.01	304.76	308.48	309.26	283.52
22	Brewers and Distillers (22)	316.77	−1.5	14.68	6.44	8.29	321.46	322.45	325.43	326.17	323.30
25	Food Manufacturing (22)	255.63	−0.9	18.24	7.36	6.39	257.88	260.40	264.54	264.58	254.91
26	Food Retailing (14)	603.06	−1.2	9.30	3.71	13.05	610.45	613.84	615.76	614.38	515.86
27	Health and Household Products (8)	445.73	−1.2	7.79	3.82	15.15	451.03	454.16	462.28	464.32	336.38
29	Leisure (23)	414.85	−1.3	10.70	5.58	11.69	420.10	423.15	429.43	430.10	425.38
32	Newspapers, Publishing (13)	516.13	−0.7	13.31	6.04	9.56	519.72	525.17	531.22	531.61	506.58
33	Packaging and Paper (14)	138.80	−3.3	16.80	7.82	6.92	143.64	146.33	148.39	148.82	158.81
34	Stores (45)	272.43	−1.0	10.78	5.11	12.25	275.11	275.41	277.99	279.15	267.89
35	Textiles (23)	161.29	−0.7	14.18	6.66	8.60	162.43	163.08	167.31	167.85	161.75
36	Tobaccos (3)	329.61	−0.4	22.14	8.34	5.09	331.10	334.15	337.80	339.28	282.94
39	Other Consumer (14)	268.26	−1.8	6.34	5.76	31.35	273.09	280.92	282.27	284.09	258.30
41	OTHER GROUPS (77)	249.49	−1.8	13.78	6.73	8.78	254.12	257.04	259.58	260.11	228.13
42	Chemicals (16)	335.90	−0.5	13.71	6.93	8.75	337.75	341.90	345.29	346.76	286.92
44	Office Equipment (4)	103.57	−3.1	15.70	9.55	7.82	106.90	106.90	108.29	109.92	114.17
45	Shipping and Transport (13)	541.60	−1.8	20.31	7.61	5.96	551.63	563.08	572.83	571.61	550.87
46	Miscellaneous (44)	319.49	−2.9	11.77	5.88	10.36	329.10	332.31	334.75	334.47	293.94
49	INDUSTRIAL GROUP (487)	319.28	−1.2	11.94	5.43	10.20	323.16	325.56	329.20	330.36	296.01
51	Oils (13)	711.32	—	22.21	8.17	5.10	711.25	716.91	728.29	737.85	735.97
59	500 SHARE INDEX	351.20	−1.0	13.59	5.87	8.79	354.77	357.44	361.78	363.54	331.49
61	FINANCIAL GROUP (117)	240.64	−1.6	—	7.05	—	244.53	246.20	248.25	250.12	258.65
62	Banks (6)	261.03	−2.4	39.87	8.71	2.75	267.50	270.34	270.67	273.79	262.75
63	Discount Houses (9)	224.54	−0.6	—	10.16	—	225.92	230.61	240.32	241.99	274.04
65	Insurance (Life) (9)	261.93	−1.2	—	6.98	—	265.05	265.47	270.85	272.79	263.09
66	Insurance (Composite) (10)	149.98	−1.6	—	9.44	—	152.36	153.50	154.58	156.16	169.25
67	Insurance Brokers (7)	489.59	+0.5	11.51	5.54	11.89	487.04	485.30	497.13	502.48	397.57
68	Merchant Banks (12)	135.54	−2.8	—	6.36	—	139.57	141.80	142.73	143.58	166.86
69	Property (49)	407.12	−1.2	5.53	3.94	24.14	412.13	414.48	417.45	418.37	470.41
70	Other Financial (15)	163.74	−1.8	18.71	6.99	6.18	166.76	167.35	168.32	168.91	180.23
71	Investment Trusts (111)	286.45	−1.3	—	5.69	—	290.16	293.80	296.57	297.99	309.11
81	Mining Finance (4)	169.40	−2.8	18.44	8.32	6.80	174.94	179.30	182.51	181.13	267.06
91	Overseas Traders (18)	327.29	−1.1	15.66	9.78	7.85	331.03	337.25	350.46	348.26	448.83
99	ALL-SHARE INDEX (750)	320.52	−1.2	—	6.15	—	324.27	326.93	330.75	332.42	316.69

FIXED INTEREST

	PRICE INDICES	Mon June 21	Day's change %	Fri June 18	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	111.56	−0.16	111.74	—	5.90
2	5-15 years	109.82	−0.42	110.35	0.07	6.92
3	Over 15 years	112.79	−0.68	113.67	0.11	7.64
4	Irredeemables	116.93	−0.81	117.89	—	6.30
5	All Stocks	111.03	−0.42	111.56	0.05	6.79
6	Debentures & Loans	88.06	−0.26	88.75	0.46	5.56
7	Preference	65.58	+0.17	65.68	0.20	3.42

	AVERAGE GROSS REDEMPTION YIELDS		Mon June 21	Fri June 18	Year ago (approx.)
	British Government				
1	Low	5 years	11.39	11.36	12.17
2	Coupons	15 years	12.76	12.70	12.58
3		25 years	12.97	12.88	12.72
4	Medium	5 years	13.96	13.85	13.94
5	Coupons	15 years	13.96	13.87	14.42
6		25 years	13.37	13.25	13.91
7	High	5 years	13.96	13.91	13.99
8	Coupons	15 years	14.15	14.01	14.63
9		25 years	13.56	13.34	14.26
10	Irredeemables†		12.65	12.54	12.16
11	Debs & Loans	5 years	14.82	14.61	15.27
12		15 years	14.70	14.57	15.27
13		25 years	14.62	14.54	15.27
14	Preference†		15.12	15.08	15.69

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (10)

ELECTRICALS (2)
Immediate Bis Sys Whitworth Elec

FOODS (2)
Barr (A. G.) Bishops Gp A NV

NEWSPAPERS (1)
Routledge K Paul

PAPER (3)
Ogilvy and Mather Delyn
AID

TEXTILES (2)
Martin (A.) Stirling Group

NEW LOWS (286)

BRITISH FUNDS (1)
AMERICANS (2)
CANADIANS (6)
BANKS (11)
BUILDINGS (9)
CHEMICALS (7)
DRAPERY AND STORES (8)
ELECTRICALS (10)
ENGINEERING (27)
FOODS (2)
HOTELS (2)
INDUSTRIALS (35)
INSURANCE (1)
LEISURE (1)
MOTORS (1)
PAPER (1)
PROPERTY (30)
SHOES (2)
SOUTH AFRICANS (4)
TEXTILES (2)
TRUSTS (27)
OIL AND GAS (20)
OVERSEAS TRADERS (5)
RUBBERS (2)
MINES (70)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	77	14
Corpns. Dom. & Foreign Bonds	3	26	48
Industrials	116	566	662
Financial & Props.	24	280	226
Oils	13	51	45
Plantations	1	7	15
Mines	6	98	55
Others	51	52	48
Totals	214	1,137	1,113

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27
June 28	July 9	Sept 30	Oct 11

For rate indications see end of Share Information Service

Stocks to attract money for the call included Loraine Gold, Rothmans, Wolverhampton Steam Laundry, Mersey Dock, UDS, Tozer Kemsley, Trident TV, Racal, Premier Consolidated and KCA International. Puts were arranged in Town and City, Plessey, London Brick and Emess Lighting, while double options were transacted in ICI, Minet Holdings and UDS.

ARTHUR LEE/SQUIRES

Arthur Lee and Sons has purchased the business of Squires Steel Stockholders, a private Wolverhampton company, for an undisclosed amount based entirely on the stocks and certain fixed assets acquired.

Squires stocks forged, rolled and bright steel bar and its acquisition will widen the product range of Lee's stockholding subsidiary, Bell and Harwood.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p or amount	Times covered	Gross Yield	P/E Ratio
¶¶	—	—	13	11	Argyll Foods Warr'ts.	11	−½				
¶250	F.P.	25/6	280	260	Assoc. Heat Services	260	−5	b9.0	2.1	5.0	15.2
46	F.P.	30/7	55	50	Bairstow Eves 5p	51	−1	b1.61	2.5	4.5	12.5
§90	F.P.	25/6	101	92	✱Black(Michael) 20p	95	......	u3.0	2.4	4.6	12.2
15	F.P.	15/4	32	19	Cambrian & Gen. 7½p	30	......				
§260	F.P.	4/6	435	293	✱Cont. Microwave	420	−10	b5.25	5.9	1.8	15.6
§5⅞	F.P.	—	59	55	✱Dencora	55	−2				
§50	F.P.	28/5	163	140	✱Druck Hldg.	163	......	b2.3	2.8	2.0	28.3
§87½p	F.P.	25/6	98	84	Electro-Prot. US$0.50	89	−5	uQ1.5c	9.9	0.9	12.0
—	—	—	17	12	ΔGroup Inv Option	12	......				
§137	F.P.	—	170	150	✱McCarthy&Stone	157	......	b5.75	2.7	4.9	10.0
§105	F.P.	2/7	121	110	✱Miles 33 10p	112	−1	ud2.0	4.3	2.5	9.7
500	F.P.	2/7	630	600	Oriflame SA (US$1.50)	605	......	bQ50c	2.2	4.6	9.7
77	F.P.	14/7	97	88	✱Radio City 'A' NV	89	......	b5.5	1.5	9.0	10.4
140	F.P.	29/6	178	160	✱Ruddle (G.) 10p	178	......	b3.3	2.6	2.7	21.0
¶¶	F.P.	—	29	19	Stewart Nairn	23	......	—	—	—	—
¶¶	F.P.	—	90	40	Zambia Cons Cpr 10K	50	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
‖100	Nil	—	7pm	5pm	Benlox 8% Conv. Cum. Rd. Pf.	5pm	......
¶100	£10	26/8	11¾	10½	BournemouthWater9% Red. Prf.'87 89	11¾	......
¶99.385	£25	14/7	26½	21½	Cred. Foncier de France 14% Ln.2007	23	−½
¶100	F.P.	1/7	102¼	100¾	East Anglia Water 8% Red. Prf. 1987	101¾	......
¶¶	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	139	−1
101	F.P.	—	109	107	✱Lon&Cont11½%Conv.Sub.Uns.Ln.'95-99	107	−1
‖100	F.P.	9/7	101	98½	Marlborough Props.10% Cnv. Ln.'98-2002	98½	......
98.55	£25	8/10	26	23¾	Midland Bk. 14% Sub. Uns. Ln. 2002-07	23¾	−¼
¶100	£10	26/8	11¾	11	Mid-Southern Wtr. 9% Pref. 1987	11¾	......
§100	F.P.	—	100⅞	100⅛	Nationwide Bdg. Soc. 14¾% (25/4/83)	100⅛	......
§100	F.P.	—	100	99½	Do. 13⅞% (23/5/83)	100	......
100	F.P.	—	100⅛	100⅛	Do. 13½% (3/6/83)	100⅛	......
¶100	F.P.	—	47	38	RIT & Northern 4pc Net Cum. Prf. £1	41	+1
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	+1
¶100	£10	29/7	11¾	10½	Wrexham Water 9% Red. Prf. '87-89	11¾	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10	−½
166	Nil	—	—	22pm	20pm	Applied Computer Tech.	22pm	......
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	185	−5
135	F.P.	28/5	9/7	180	158	Carless Capel 10p	166	......
174	F.P.	18/6	30/7	233	218	Grand Met 50p	232	−4
Kr.150	Nil	—	—	£5½pm	£3pm	Great Northern Tel (£10)	£3pm	......
50	Nil	24/6	13/8	8pm	2pm	Press (Wm.) 10p	2pm	−½
325	F.P.	17/6	30/7	448	380	Saatchi & Saatchi 10p	380	−10
215	Nil	5/7	13/8	40pm	29pm	Sketchley	29pm	−1
10	F.P.	24/3	25/4	12½	9½	Sturla 10p	9½	......
25	F.P.	10/5	10/6	24½pm	24	Young (H.)	24	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *r* Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." **Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✱ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. Δ Issued free as an entitlement to ordinary holders.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Barratt Developments	274	−12	Grand Metropolitan	222	−3
Blue Circle	430	−8	Imperial Group	96	—
Bowater	202	+1	Johannesburg Cons.	£20	−3½
Cons Gold Fields	315	−8	Johnson Matthey	227	−16
GEC	924	−1	Minet	148xc	+8
Glaxo	683	−6	RTZ	347	−11

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
Minet	16	210	+6	RTZ	13	358	−11
Jhnsn Matthey	15	243	−12	Wearwell	13	44	−3
Bowater	14	201	−5	Westland	13	124	+6
GEC	14	925	—	Barratt Dev	12	286	−7
Com Union	13	131	—	Brit Aerospace	12	210	−2
Hepworth (J.)	13	104	−1	ICI	12	312	−4
Inchape	13	260	−10	Racal Elec	12	418	—

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on June 21 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.90
Algeria	Dinar	7.8098
Andorra	French Franc	11.865
	Spanish Peseta	193.70
Angola	Kwanza	(CM) 60.7025 / (T) 62.691
Antigua (S)	E. Caribbean $	4.67
Argentina	Ar. Peso	26,273.0
Australia (S)	Australian $	1.6895
Austria	Schilling	30.145
Azores	Portugu'se Escudo	145.25
Bahamas	Ba. Dollar	1.7270
Bahrain	Dinar	0.645
Balearic Isles	Spa. Peseta	193.70
Bangladesh	Taka	38.25
Barbados	Barbados $	3.4540
Belgium	B. Franc	(cm) 81.80 / (fn) 91.25
Belize	B $	3.4540
Benin	C.F.A. Franc	593.25
Bermuda	Bda $	1.7270
Bhutan	Indian Rupee	16.45
Bolivia	Bolivian Peso	(cm) 75.00 / (F)(A) 172.70
Botswana	Pula	1.8820
Brazil	Cruzeiro ‡‡	286.59
Brit. Virgin Isles	U.S. $	1.7270
Brunei	Brunei $	3.7400
Bulgaria	Lev	1.6862
Burma	Kyat	11.10
Burundi	Burundi Franc	160.945
Camero'nRepublic	C.F.A. Franc	593.25
Canada	Canadian $	2.2440
Canary Islands	SpanishPeseta	193.70
Cape Verde Isle	Cape V. Escudo	94.10
Cayman Islands	Cay. Is. $	1.4391
Cent. Afr. Republic	C.F.A. Franc	593.25
Chad	C.F.A. Franc	593.25
Chile	C. Peso	(Bk)79.12
China	Renminbi Yuan	3.3519
Colombia	C. Peso	(F) 109.93
Comoro Islands	C.F.A. Franc	593.25
Congo (Brazaville)	C.F.A. Franc	593.25
Costa Rica	Colon	(O) 34.54 (3) / (F) 69.08
Cuba	Cuban Peso	1.4245
Cyprus	Cyprus £	0.840
Czechoslovakia	Koruna	(com) 10.90 / n/c 18.99 / (T)18.36
Denmark	Danish Krone	14.795
Djibouti	Fr.	290 (sg)
Dominica	E. Caribbean $	4.67
Dominican Repub.	Dominican (Peso)	1.7270
Ecuador	Sucre	(O)57.01 / (F) 86.48
Egypt	Egyptian £	(U) 1.43
Equatorial Guinea	Ekuele	387.4
Ethiopia	Ethiopian Birr	(P) 3.5500
Falkland Islands	Falkland Is.£	1.0
Faroe Islands	Danish Krone	14.795
Fiji Islands	Fiji $	1.6115
Finland	Markka	8.2555
France	French Franc	11.865
FrenchC'tyInAf*	C.F.A. Franc	593.25
French Guiana	Local Franc	11.865
French Pacific Is.	C.F.P. Franc	195 (sg)
Gabon	C.F.A. Franc	593.25
Gambia	Dalasa	4.0
Germany (East)	Ostmark	4.28
Germany (West)	Deutsch Mark	4.28
Ghana	Cedi	4.79
Gibraltar	Gibraltar £	1.0
Greece	Drachma	120.943

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Greenland	Danish Kroner	14.795
Granada	E. Caribbean $	4.67
Guadaloupe	Local Franc	11.865
Guam	U.S. $	1.7270
Guatemala	Quetzal	1.7270
Guinea Republic	Syli	38.65
Guinea Bissau	Peso	68.90
Guyana	Guyanese $	5.1690
Haiti	Gourd	8.635
Honduras Repub.	Lempira	3.45
Hong Kong	H.K. $	10.265
Hungary	Forint	82.0920‡‡
Iceland	I. Krona	19.18
India	Ind. Rupee	16.46
Indonesia	Rupiah	1,125.50
Iran	Rial	147.20(sg)
Iraq	Iraq Dinar	0.5127
Irish Republic	Irish £	1.2425
Israel	Shekel	41.00
Italy	Lira	2,410.0
Ivory Coast	C.F.A. Franc	593.25
Jamaica	Jamaica Dollar	3.0800
Japan	Yen	444.25
Jordan	Jordan Dinar	0.602
Kampuchea	Riel	2,072.4
Kenya	Kenya Shilling	18.875
Kiribati	Australian $	1.6895
Korea (Nth)	Won	1.73(ll)
Korea (Sth)	Won	1,284.50
Kuwait	Kuwait Dinar	0.49755
Laos	New Kip	17.27
Lebanon	Lebanese £	8.7280
Lesotho	Loti	1.97475
Liberia	Liberian $	1.7270
Libya	Libyan Dinar	0.5112
Liechtenstein	Swiss Franc	3.6775
Luxembourg	Lux Franc	81.80
Macao	Pataca	10.50
Madeira	Portug'se Escudo	145.25
Malagasy Republic	MG Franc	665.95
Malawi	Kwacha	1.9210
Malaysia	Ringgit	4.0380
Maldive Islands	Rufiyaa	13.04
Mali Republic	Mali Franc	1,186.5
Malta	Maltese £	0.7230
Martinique	Local Franc	11.865
Mauritania	Ouguiya	88.20
Mauritius	M. Rupee	19.0250
Mexico	Mexican Peso	82.18
Miquelon	C.F.A. Franc	593.25
Monaco	French Franc	11.865
Mongolia	Tugrik	(o)5.74(ll)
Montserrat	E. Caribbean $	4.67
Morocco	Dirham	10.35(sg)
Mozambique	Metical	52.50
Nauru	Australian Dollar	1.6895
Nepal	Nepalese Rupee	22.70
Netherlands	Guilder	4.7025
NetherlandAntilles	Antillian Guilder	3.0915
New Zealand	N.Z. Dollar	2.3280
Nicaragua	Cordoba	17.20
Niger Republic	C.F.A. Franc	593.25
Nigeria	Naira	1.195048(sg)
Norway	Norway Krone	10.865
Oman Sul'ate of	Rial Omani	0.595
Pakistan	Pakistan Rupee	20.31
Panama	Balboa	1.7270
Papua N.Guinea	Kina	1.2730
Paraguay	Guarani	(O) 216.72 / (F) 301.86

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Peru	Sol	exc(A)1,103.60
Philippines	Philippine Peso	14.32
Pitcairn Islands	£ Sterling	—
	New Zealand $	2.3280
Poland	Zloty	(Cm)150.40 / (T)150.40
Portugal	Portugu'se Escudo	145.25
Puerto Rico	U.S. $	1.7270
Qatar	Qatar Ryal	6.26
Reunion Ile de la	French Franc	11.865
Romania	Leu	(Cm) 7.91 / (n/c) 19.47
Rwanda	Rwanda Franc	166.29
St. Christopher	E. Caribbean $	4.67
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.67
St. Pierre	Local Franc	11.865
St. Vincent	E. Caribbean $	4.67
Salvador El	Colon	4.3065
Samoa American	U.S. $	1.7270
San Marino	Italian Lira	2,410.0
Sao Tome & Prin.	Dobra	70.85
Saudi Arabia	Ryal	5.9205
Senegal	C.F.A. Franc	593.25
Seychelles	S. Rupee	11.35 (sg)
Sierra Leone	Leone	2.1813
Singapore	Singapore $	3.7400
Solomon Islands	Solomon Is. $	1.6050
Somali Republic	Somali Shilling (1)	(A)10.96
Somali Republic	Somali Shilling (2)	21.52
South Africa	Rand	1.97475
South West African Territories	S. A. Rand	1.97475
Spain	Peseta	193.70
Spanish ports in North Africa	Peseta	193.70
Sri Lanka	S. L. Rupee	35.46
Sudan Republic	Sudan £ (u)	1.5543
Surinam	S. Guilder	3.0915
Swaziland	Lilangeni	1.97475
Sweden	S. Krona	10.5975
Switzerland	Swiss Franc	3.6775
Syria	Syria £	(A)10.0
Taiwan	New Taiwan $	65.626
Tanzania	Tan. Shilling	16.40
Thailand	Baht	39.42
Togo Republic	C.F.A. Franc	593.25
Tonga Islands	Ha'anga	1.6895
Trinidad	Trinidad & Tob. $	4.1446
Tunisia	Tunisian Dinar	0.985(sg)
Turkey	Turkish Lira	282.17
Turks & Caicos	U.S. $	1.7270
Tuvalu	Australian $	1.6895
Uganda	Uganda Shilling	165.0
United States	U.S. Dollar	1.7270
Uruguay	Uruguay Peso	(cm)21.30 / (fn)21.32
Utd. Arab Emirates	U.A.E. Dirham	6.3355
U.S.S.R.	Rouble	1.2865
Upper Volta	C.F.A. Franc	593.25
Vanuatu	Vatu	191.50
	Aust. Dollar	1.6895
Vatican	Italian Lira	2,410.0
Venezuela	Bolivar‡	7.38
Vietnam	Dong	(O)3.7495 / (T)4.22(ll)
Virgin Island U.S.	U.S. Dollar	1.7270
Western Samoa	Samoan Tala	2.1075
Yemen (Nth)	Ryal	7.77(sg)
Yemen (Sth)	S. Yemen Dinar	(A)0.5940
Yugoslavia	New Y Dinar	82.4549
Zaire Republic	Zaire	10.08673
Zambia	Kwacha	1.5230
Zimbabwe	Zimbabwe $	1.3045

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 72.55. **Rate is the transfer market (controlled). ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (ll) Based on gross rates against Russian rouble. (1) Parallel exchange rate for essential imports. (2) Exports, non-essential imports and transfer. (3) Essential goods.

CURRENCIES and MONEY

Dollar remains firm

The Dollar continued to improve in currency markets yesterday as Euro-dollar rates rose sharply from last week. Central bank intervention was again evident but the dollar still achieved record levels against the Canadian dollar. French franc and Italian lire and was at its best level since April 1980 against the yen and August 1981 in terms of the D-Mark. The Swiss franc sank to its worst level since last September.

Sterling was slightly weaker overall, maintaining a fairly steady position against European currencies but failing to its lowest level since July 1977 against the dollar.

The Italian lire remained the strongest currency within the European Monetary System yesterday, followed by the French franc. The D-Mark was again the weakest member.

DOLLAR — Trade weighted index 121.7 against 120.5 on Friday and 107.6 six months ago. Three-month Treasury bills 12.64 per cent (11.10 per cent six months ago). Annual inflation rate 6.6 per cent (6.8 per cent previous month) — Late selling saw the dollar finish close to its lowest level of the day against most currencies. After touching a high of DM 2.4910, it closed at DM 2.4770, still well up from DM 2.46 on Friday. Against the Swiss franc it closed at SwFr 2.1290 after a high of SwFr 2.1430 and compared with SwFr 2.12. It closed at Y257.1 from Y255.1 and FFr 6.8735 against FFr 6.8250.

STERLING — Trade weighted index 91.0 against 90.9 at noon, 91.1 at the opening and 91.2 on Friday (90.0 six months ago). Three-month interbank 13 3/32 per cent (15½ per cent six months ago). Annual inflation 9.5 per cent (9.4 per cent previous month)—Sterling opened at $1.73 and by early afternoon had sunk to a low of $1.7150. However, it recovered on dollar sales to close at $1.7265-1.7275, a fall of 1.25c. Against the D-mark it was unchanged at DM 4.28 but eased in terms of the Swiss franc to SwFr 3.6775 from SwFr 3.6875. It was also lower against the French franc at FFr 11.8650 from FFr 11.87.

D-MARK — EMS member (weakest). Trade weighted index 124.7 against 125.1 on Friday and 121.7 six months ago. Three-month interbank 9.275 per cent (10.90 per cent six months ago). Annual inflation 5.3 per cent (5.0 per cent previous month)—The D-mark fell to its lowest level since last August against the dollar at yesterday's fixing in Frankfurt. The dollar was fixed at DM 2.4890 up from DM 2.4555 and there was no attempt by the Bundesbank to try and arrest the climb. The D-mark showed little overall change elsewhere, falling against the Dutch guilder and Belgian franc but improving in terms of the French franc and Italian lira. Outside the EMS sterling rose to DM 4.2760 from DM 4.2630 and the Swiss franc was higher at DM1.1622 compared with DM 1.1596.

ITALIAN LIRA—EMS member (strongest). Trade weighted index 53.4 against 53.6 on Friday and 55.4 six months ago. Three-month interbank 20½ per cent (23½ per cent six months ago). Annual inflation 15.2 per cent (15.5 per cent previous month)—The lira lost a little ground within the EMS yesterday and was also fixed at a record low against the dollar. The U.S. unit rose to L1,397.95 from L1,379.95. The D-mark slipped to L562.04 from L562.25 and the French franc was lower at L202.65 compared with L202.75. On the other hand the Dutch guilder improved to L510.56 from L509.71 and the Belgian franc was higher at L29.385 against L29.323.

THE POUND SPOT AND FORWARD

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7150-1.7300	1.7265-1.7275	0.36-0.46c dis	−2.85	1.37-1.47dis	−3.29
Canada	2.2230-2.2460	2.2435-2.2445	0.90-1.00c dis	−5.08	2.90-3.00dis	−5.26
Nethlnd.	4.69-4.73	4.69¾-4.70¾	1⅝-1¼c pm	3.83	4⅞-4½ pm	3.93
Belgium	81.60-82.10	81.75-81.85	22-32c dis	−3.96	90-100 dis	−4.65
Denmark	14.75-14.81	14.79-14.80	3½-4½ore dis	−3.19	12½-14¼dis	−3.65
Ireland	1.2405-1.2495	1.2420-1.2430	0.60-0.74p dis	−6.47	1.99-2.18dis	−6.71
W. Ger.	4.26-4.29	4.27½-4.28½	1⅝-1½pm pm	3.86	4⅛-3⅞ pm	3.86
Portugal	144.00-145.50	145.00-145.50	80-260c dis	−14.04	240-765dis	−13.84
Spain	192.70-193.90	193.60-193.80	190-215c dis	−12.55	500-580dis	−11.15
Italy	2398-2412	2409-2411	13-16lire dis	−7.22	46-49 dis	−7.88
Norway	10.80-10.88	10.86-10.87	½ore pm-⅛ dis	−0.14	5⅞-7 dis	−2.37
France	11.82-11.88	11.86-11.87	4-6c dis	−5.06	13-16 dis	−4.89
Sweden	10.55-10.61	10.59¼-10.60¼	1-1⅜ore dis	−1.49	3½-4¼ dis	−1.46
Japan	442-447	443¾-444¾	2.13-1.92y pm	5.47	6.48-6.39 pm	5.79
Austria	30.07-30.27	30.12-30.17	13-9½gro pm	4.48	34-28 pm	4.11
Switz.	3.65½-3.70½	3.67¼-3.68¼	2⅛-1⅞c pm	6.93	6⅛-5⅞ pm	6.66

Belgian rate is for convertible francs. Financial franc 91.20-91.30. Six-month forward dollar 2.85-2.95c dis. 12-month 4.85-5.05c dis.

THE DOLLAR SPOT AND FORWARD

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7150-1.7300	1.7265-1.7275	0.36-0.46c dis	−2.85	1.37-1.47dis	−3.29
Ireland†	1.3790-1.3890	1.3870-1.3880	0.48-0.38c pm	3.73	1.25-1.10 pm	3.39
Canada	1.2930-1.3005	1.3000-1.3005	0.25-0.28c dis	−2.45	0.64-0.67dis	−2.01
Nethlnd.	2.7220-2.7420	2.7220-2.7250	1.55-1.45c pm	6.59	4.90-4.80 pm	7.11
Belgium	47.36-47.65	47.36-47.38	3-6c dis	−1.14	14-19 dis	−1.39
Denmark	8.5660-8.6000	8.5700-8.5750	0.20-0.45ore dis	−0.45	0.40-0.90dis	−0.30
W. Ger.	2.4750-2.4910	2.4765-2.4775	1.40-1.35pf pm	6.66	4.44-4.39 pm	7.13
Portugal	82.75-84.30	84.00-84.25	30-130c dis	−11.41	70-370dis	−10.46
Spain	112.05-112.40	112.15-112.20	87-97c dis	−9.82	230-260dis	−8.72
Italy	1391-1399	1394-1395	4.90-5.90lire dis	−4.64	16-18 dis	−4.86
Norway	6.2890-6.3000	6.2900-6.2930	1.50-1.10ore pm	2.48	1.70-1.30 pm	0.95
France	6.8600-6.9100	6.8700-6.8750	0.60-1.10c dis	−1.48	2.75-3.50dis	−1.81
Sweden	6.1330-6.1500	6.1350-6.1380	0.50-0.30ore pm	0.78	2.40-2.20 pm	1.50
Japan	256.90-258.50	257.05-257.15	1.84-1.76y pm	8.40	5.82-5.72 pm	8.98
Austria	17.48-17.54	17.49½-17.50½	11¼-10gro pm	7.29	34¾-31¼ pm	7.61
Switz.	2.1260-2.1430	2.1285-2.1295	1.77-1.69c pm	9.75	5.33-5.24 pm	9.83

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

June 21	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.0	−32.1
U.S. dollar	121.7	+13.5
Canadian dollar	85.0	−22.1
Austrian schilling	117.1	+26.1
Belgian franc	94.6	−2.1
Danish kronar	82.2	−14.7
Deutsche mark	124.7	+49.5
Swiss franc	143.5	+93.8
Guilder	115.3	+23.5
French franc	74.1	−19.7
Lira	53.4	−58.7
Yen	131.6	+25.6

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 21	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.632196	0.552913
U.S. $	12	1.08548	0.951011
Canadian $	16.59	*	1.23127
Austria Sch.	6¾	19.0469	16.6712
Belgian F	14	51.6526	45.2110
Danish Kr.	11	9.32753	8.16205
D mark	7½	2.70176	2.36136
Guilder	8	2.97367	2.59769
French Fr.	9½	7.48547	6.55246
Lira	19	N/A	1329.04
Yen	5½	279.185	245.665
Norwgn. Kr.	9	6.82984	5.98851
Spanish Pts.	8	121.905	106.703
Swedish Kr.	10	6.66376	5.84396
Swiss Fr.	5½	2.32456	2.03350
Greek Dr'ch.	20½	N/A	66.4633

* C$/SDR rate for June 18, 1.41153.

OTHER CURRENCIES

June 21	£	$		£ Note Rates
Argentino Peso	26,253-26,293†	15,250-15,300	Austria	30.00-30.30
Australia Dollar	1.6885-1.6905	0.9790-0.9795	Belgium	90.50-91.50
Brazil Cruzeiro	286.09-287.09	166.21-167.04	Denmark	14.74-14.88
Finland Markka	8.245-8.251	4.7740-4.7760	France	11.81-11.91
Greek Drachma	120.814-121.272	69.50-70.00	Germany	4.26-4.30
Hong Kong Dollar	10.253¼-10.271¼	5.9595-5.9635	Italy	2375-2415
Iran Rial	147.20*	83.70*	Japan	443-448
Kuwait Dinar (KD)	0.49700-0.4981	0.2885-0.2887	Netherlands	4.70-4.74
Luxembourg Fr.	81.75-81.85	47.36-47.38	Norway	10.79-10.89
Malaysia Dollar	4.08-4.09	2.3700-2.3730	Portugal	140-156
New Zealand Dlr.	2.3260-2.3300	1.3485-1.3505	Spain	186¼-195
Saudi Arab. Riyal	5.9155-5.9255	3.4315-3.4325	Sweden	10.53-10.63
Singapore Dollar	3.7350-3.7450	2.1700-2.1730	Switzerland	3.66½-3.70½
Sth. African Rand	1.9740-1.9755	1.1430-1.1440	United States	1.71-1.73
U.A.E. Dirham	6.3315-6.3395	3.6715-3.6735	Yugoslavia	92-106½

* Selling rate.
** The rate for June 18 should have read 0.5000-0.5010.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.2110	+0.54	+0.45	±1.5501
Danish Krone	8.23400	8.16205	−0.87	−0.96	±1.6430
German D-Mark	2.33379	2.36136	+1.18	+1.09	±1.0888
French Franc	6.61387	6.55246	−0.93	−1.02	±1.3940
Dutch Guilder	2.57971	2.59769	+0.70	+0.61	±1.5004
Irish Punt	0.691011	0.687643	−0.49	−0.58	±1.6691
Italian Lira	1350.27	1329.04	−1.57	−1.57	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

June 21	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.727	4.280	444.3	11.865	3.678	4.703	2410.	2.244	81.80
U.S. Dollar	0.579	1.	2.478	257.2	6.870	2.129	2.723	1395.	1.299	47.37
Deutschemark	0.234	0.404	1.	103.8	2.772	0.859	1.099	563.1	0.524	19.11
Japanese Yen 1,000	2.251	3.887	9.634	1000.	26.71	8.278	10.59	5425.	5.051	184.1
French Frank 10	0.843	1.456	3.607	374.4	10.	3.099	3.963	2031.	1.891	68.94
Swiss Franc	0.272	0.470	1.164	120.8	3.226	1.	1.279	655.3	0.610	22.24
Dutch Guilder	0.213	0.367	0.910	94.47	2.523	0.782	1.	512.5	0.477	17.40
Italian Lira 1,000	0.415	0.717	1.776	184.3	4.923	1.526	1.951	1000.	0.931	33.94
Canadian Dollar	0.446	0.770	1.907	198.0	5.287	1.639	2.096	1074.	1.	36.45
Belgian Franc 100	1.222	2.111	5.232	543.1	14.50	4.496	5.749	2946.	2.743	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 21)

3 months U.S. dollars		6 months U.S. dollars	
bid 16 5/8	offer 16 1/2	bid 16 1/2	offer 16 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rate for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	12½-12¾	14¼-14½	17½-18½	8 11/16-8 15/16	2¼-2¾	8¼-8⅜	15½-16¼	18-20	14-15½	14¾-15	6¾-6⅞	20-21½
7 day's notice	12⅝-12⅞	14¾-15	17½-18½	8⅞-9	2½-2¾	8 7/16-8 9/16	15½-16¼	18⅞-20½	15-17	15⅛-15⅜	7 1/16-7 3/16	18⅝-20⅛
Month	12 11/16-12 13/16	15¼-15½	17⅝-17⅝	8⅞-9	5 7/16-5 9/16	8⅞-9	16¾-17½	19¾-20¾	16-17¼	15⅜-15⅞	7⅛-7¼	17⅛-18⅝
Three months	13-13⅛	16-16¼	17¾-18	9-9⅛	6⅛-6¼	9-9⅛	17½-18¼	21-21⅜	17¼-18¼	15¾-16	7¼-7⅜	18¾-20¼
Six months	13⅛-13 5/16	16¼-16½	17¾-18	9⅛-9¼	6 5/16-6 7/16	9 1/16-9¼	18¼-19	21⅝-22⅝	17¼-18¼	15⅝-15⅞	7¼-7⅜	18¼-19¾
One Year	13 3/16-13 5/16	16 1/16-16 5/16	17⅝-17⅞	9 3/16-9 5/16	6 5/16-6 7/16	9 3/16-9 5/16	18⅝-19⅜	22⅛-22⅞	16⅝-17⅝	15⅛-15¾	7⅛-7¼	18⅛-19⅝

SDR linked deposits: one-month 13 1/16-13 7/16 per cent; three months 13 9/16-13 15/16 per cent; six months 13¾-14⅛ per cent; one-year 13 11/16-14 1/16 per cent.

ECU linked deposits: one-month 12¾-13⅛ per cent; three months 13⅛-13½ per cent; six months 13¼-13⅝ per cent; one-year 13⅜-13¾ per cent.

Asian $ (closing rates in Singapore): one-month 15½-15⅝ per cent; three months 16 5/16-16 7/16 per cent; six months 16½-16⅝ per cent; one-year 16¼-16⅜ per cent. Long-term Eurodollar two years 15¾-16 per cent; three years 15¾-16 per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The folowing rates were quoted for London dollar certificates of deposit: one-month 15.10-15.20 per cent; three months 15.50-15.60 per cent; six months 15.80-15.90 per cent; one-year 15.70-15.80 per cent.

MONEY MARKETS

London rates firm

UK clearing bank base lending rate 12½ per cent (since June 8)

Short-term interest rates advanced in the London money market yesterday, as Eurodollar rates rose sharply and sterling fell to its lowest level for five years against the dollar. Three-month interbank money rose to 13 3/32 per cent from 12 31/32 per cent.

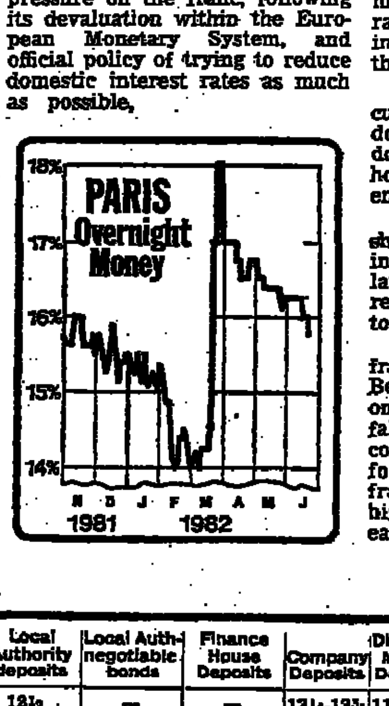
A shortage of credit in the region of £100m was forecast by the Bank of England in the morning, but this was revised to £150m in the afternoon. The main factors were: bills maturing in official hands and a net market take-up of Treasury bills —£590m, partly offset by Exchequer transactions +£350m, and a fall in the note circulation +£150m.

Total assistance provided by the authorities was £151m, made up of £42m bank bills in band 2 (15-33 days maturity) at 12¼ per cent in the morning, followed by £20m bank bills in band 2 at 12½ per cent; £14m bank bills in band 3 (34-63 days) at 12⅞ per cent; and £75m Treasury bills in band 4 (64-91 days) at 12½ per cent in the afternoon.

Despite the upward trend in period rates, trading in overnight money was generally calm, finishing at 10 per cent, after touching a peak of 12 15/16-13 1/16 per cent.

In Frankfurt call money rose to 9.05 per cent from 9 per cent as money market conditions tightened on demand for funds for corporate tax payments. The unwinding of Bundesbank currency swaps on Wednesday will drain an estimated DM 1½bn to DM 2bn, while the increase of DM 5bn in the rediscount quota is unlikely to help the liquidity position of the banks in the short term. Borrowing under the Lombard facility is expected to rise this week, after increasing to DM 2.6bn from DM 2bn on Friday.

In Paris call money was cut to 15¾ per cent from 15⅞ per cent, the lowest level since March 17. On Friday call money was reduced from 16 per cent, and on the same day the Bank of France cut its seven-day Treasury bill discount rate to 17 per cent from 19 per cent. The moves reflected the reduced pressure on the franc, following its devaluation within the European Monetary System, and official policy of trying to reduce domestic interest rates as much as possible.



EUROCURRENCIES

$ rates firm

Rising U.S. interest rates remained the dominant factor yesterday, influenced by funding problems because of the Budget deficit, and fears of continuing money supply growth. Eurodollar rates were again very firm, pushing the dollar to new peaks in the foreign exchange market.

The strength of the U.S. currency in spot trading, as Eurodollar rates soared, depressed the dollar in the forward market however as interest rate differentials increased.

Eurosterling rates showed a sharp initial reaction to the rise in dollar rates, but eased back later in the day, as sterling recovered from the five year low touched during the morning.

Euro D-marks and Euro Swiss franc rates were also up, but Belgian franc interest rates were only slightly firmer, leading to a fall in the Belgian currency's discount against the dollar in forward trading. Euro French franc rates were also slightly higher, as domestic Paris rates eased.

MONEY RATES

NEW YORK

Prime rate	16½
Fed funds (lunch-time)	13⅞-14⅛
Treasury bills (13-week)	12.64
Treasury bills (26-week)	13.14

GERMANY

Lombard	9.00
Overnight rate	9.05
One month	9.10
Three months	9.275
Six months	9.30

FRANCE

Intervention rate	15.5
Overnight rate	15.75
One month	15.4375
Three months	15.4375
Six months	15.0625

JAPAN

Discount rate	5.5
Call (unconditional)	7.15625
Bill discount (three-month)	7.28125

LONDON MONEY RATES

June 21 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-13 1/16	12½	—	—	12¼-12¾	11½-12½	—	—	—
2 days notice	—	—	12½-12⅝	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12⅞	12⅝-12¾	—	—	13-13⅛	12⅝-12⅝	—	—	—
One month	12 13/16-12¾	12 15/16-13	12⅞	13⅝-13¼	12 15/16	13¼	12½	12 9/16	12 13/16-12 9/16	13¼
Two months	13 1/16-12⅞	12 15/16-13⅛	—	13⅛-13¼	13	13¼	12⅝	12 7/16	12 7/16-12½	13⅛
Three months	13 1/16-12 15/16	13-13 1/16	13	13⅛-13⅛	13⅛	13⅜	12¼	12 3/16-12 5/16	12 7/16-12⅜	13
Six months	13 1/16-12 15/16	13-13 1/16	13	13-12¾	13⅛	—	—	—	12 3/16-12¼	12 15/16
Nine months	13⅛-13	13⅛-13¼	—	13⅜-13	13¼	—	—	—	—	—
One year	13⅛-13	13⅛-13 1/16	13⅛	13¼-13	13¼	—	—	—	—	—
Two years	—	—	13⅜	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13½ per cent; four years 13⅝ per cent; five years 13⅝ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 7/16-12½ per cent; four months trade bills 13 1/16 per cent.

Approximate selling rate for one-month Treasury bills 12 7/16-12½ per cent; two months 12 5/16-12⅜ per cent; three months 12 7/32-12¼ per cent. Approximate selling rate for one-month bank bills 12 13/32-12½ per cent; two months 12⅜ per cent and three months 12¼ per cent; one-month trade bills 13 per cent; two months 12⅞ per cent; three months 12¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 9½ per cent. Treasury Bills: Average tender rates of discount 12.2425 per cent.

Certificates of Tax Deposit (Series 5) 13 per cent from June 8. Deposits withdrawn for cash 10½ per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Life Assur. Co. of Pennsylvania
8, New Rd., Chatham, Kent. Medway 812348
LACOP Units [12.93] 12.53 +0.22 —

Lloyds Life Assurance
20, Clifton St., EC2A 4HX 01-920 0202

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 22200

NUIG (Managed Funds) Ltd.

Norwich Union Life Insurance Society Pensionmaster

Pearl Assurance (Unit Funds) Ltd.
252 High Holborn, WC1V 7EB. 01-405 8441.

Pearl Assurance (Unit Linked Pensions) Ltd.

Phoenix Assurance Co. Ltd.
4-5 King William St., EC4P 4HR. 01-626 9876

Pioneer Mutual Insurance Co. Ltd.
16, Crosby Rd., N. Waterloo, L'pool 051-928 6655

Planned Savings Group
68, East Street, Horsham 0403 50255

Premium Life Assurance Co. Ltd.

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

LOANS—Continued

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Financial				
100½	95½	FFI 14pc '83	100	......	14.00	13.99
99	94	FFI(UK Fa)5¼pcDb. '80-2	99	+½	5.56	15.78
86½	80	Do. 6¾pcDb. '81-84	86	......	7.34	13.70
94½	82½	Do. 10¾pc Uns.Ln. '86	90xd	......	11.67	14.15
92	78	Do. 11pc Uns.Ln. '88	87xd	......	12.64	13.90
93	78	Do. 11¾pc Uns.Ln. '90	87xd	......	13.51	14.65
94	82	Do. 12¾pc Un. Ln. 1992	93	......	13.91	14.50
65	54	Do. 7¼pcADeb. '89-92	62xd	......	11.74	14.43
62	53	Do. 7¼pcADeb. '91-94	62	......	11.95	14.00
72	62	Do. 9pc 'A' '91-94	72	......	12.96	14.56
69½	57½	Do. 8¾pcLn. '92-97	69	......	13.50	14.59
		Building Societies				
100½	98⅞	Nat'wide 14¾pc 11.8.82	100	......	14.75	14.38
100½	98¾	Do. 14¾pc 25.8.82	100⅛	......	14.73	13.68
101	99	Do. 15⅜pc 29.9.82	100⅜	......	15.32	13.42
101⅞	99¾	Do. 16¼pc 27.10.82	100¾xd	......	15.13	13.58
101	99½	Do. 15⅜pc 24.11.82	100½xd	......	15.29	13.77
101⅜	99¼	Do. 15¼pc 13.12.82	100⅞xd	......	15.12	13.17
102	99¾	Do. 16¼pc 17.1.83	101½xd	−⅛	16.01	13.43
101½	100	Do. 15⅝pc 7.2.83	100⅞	......	15.49	14.17
100⅝	99⅝	Do. 14¼pc 14.3.83	100⅛	......	14.23	14.06
100½	99⅝	Do. 14¼pc 4.4.83	100⅛	......	14.23	14.07

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
161	136	S. Rhod. 2½pc Non-Ass.	158	......	5.55	18.25
66	58	Do. 3½pc 80-85 Assd.	64	......	11.54	18.00
41	32	Do. 4½pc 87-92 Assd.	39xd	......	20.61	20.89
372	318	Zimbabwe Ann (£100pd).	357	......	—	—

LOANS

Public Board and Ind.

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
66	57¾	Agric. Mt. 5pc '59-89	62¾	+½	7.98	13.24
29¾	24¾	Met. Wtr. 3pc 'B'	29¾	......	10.56	13.89
114	103	U.S.M.C. 9pc 1982	110xd	+2	8.18	—
101½	94	Do. without Warrnts.	99xd	......	9.09	—

BANKS AND HIRE PURCHASE

1982 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
282	210	ANZ $A1	215	+2	Q28c	3.3	8.0	3.8
253	205	Alexanders D. £1	223	......	18.5	—	11.8	—
£63½	£56½	Algemene FL100	£60	−1	Q26%	1.8	9.0	6.1
100	75	Allied Irish	83	......	Q6.3%	♦	11.2	♦
*16⅝	10¼	Ansbacher (H.) 5p	10¼	−¼	t0.35	—	4.9	—
260	200	Bk. Ireland £1	225	......	Q28%	—	10.2	—
3½	2	Bk. Leumi $0.1	3	......	H08%	—	0.7	—
*227	190	Bk Leumi (UK) £1	190	......	10.15	—	7.6	—
180	152	Bk. N.S.W. $A1	152xd	......	Q24c	2.9	9.5	3.6
518	358	Bank Scotland £1	358	−10	21.0	4.5	8.4	2.9
425	360	Barclays £1	375xc	−8	t22.0	5.1	8.4	3.0
240	220	Brown Shipley £1	228xd	−1	7.0	—	4.5	—
343	275	Cater Allen £1	292	−3	23.8	—	11.6	—

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

40	20	Anglo-Dominion	22	......	—	—	—
16½	13	Burma Mines 10p	13	......	0.55	1.0	6.0
130	35	Colby Res. Corp.	55	......	—	—	—
292	170	Cons. Murch. 10c.	170	−10	‡Q60c	1.9	‡
8	4	‡‡Eagle Gold	4	−1	—	—	—
105	65	Highwood Res.	70	+2	—	—	—
255	165	Northgate C$1	170	+5	—	—	—
468	344	R.T.Z.	347	−11	16.0	2.1	6.6
£108½	£84	[illegible]	£84	−3	Q9½%	30.0	12.0
20	12	Sabina Inds. C$1	12	......	—	—	—
44	27	‡Southwest C. 10p	31	−3	—	—	—
500	270	Tara Exptn. $1	285	−15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS

3-month Call Rates

[illegible]		[illegible]		[illegible]	
Debenhams	7	P & O Dfd.	14	Burmah Oil	19
Distillers	15	Plessey	32	Charterhall	6
Dunlop	6½	Racal Elect.	35	KCA	14
Eagle Star	31	R.H.M.	6½	Premier	6
F.N.F.C.	4	Rank Org. Ord.	20	Shell	30
Gen. Accident	28	Reed Intnl.	26	Tricentrol	22
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	42	T.I.	13		
Grand Met.	17	Tesco	5½	**Mines**	
G.U.S. 'A'	45	Thorn EMI	42	Charter Cons.	25
Guardian	25	Trust Houses	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	12	Lonrho	7
Hawker Sidd.	30	Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 27

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

Tuesday June 22 1982
FINANCIAL TIMES

PIPELINE TECHNOLOGY BAN ANGERS WEST GERMANS

Bonn attacks U.S. embargo

BY OUR FOREIGN STAFF

THE West German Government yesterday criticised the U.S. decision to extend its embargo on the supply of U.S. technology for the Siberian gas pipeline to Western Europe.

A Bonn Government official said the move, announced last Friday, contradicted agreements reached by the seven major industrial nations at the Versailles economic summit earlier this month.

West Germany was considering legal aspects of the matter and would not rule out a resort to the International Court of Justice at The Hague said Herr Klaus Boelling, official government spokesman. Bonn was already in contact with Washington over what it felt was an increasingly divisive trade issue, coming on the heels of the U.S. Commerce Department's punitive action against European steel imports.

Herr Boelling said that President Reagan's decision to extend the technology embargo to include U.S. subsidiaries abroad and U.S. licensees was unexpected. Bonn would consult France, the UK and Italy, the other countries supplying equipment for the £4.5bn pipeline.

The U.S. decision has touched raw nerves in West Germany and raised sensitive questions about sovereignty. The ruling Social Democrat party yesterday spoke of "interference in internal European affairs," while its Free Democrat partner in the two-party Bonn coalition referred to "a frightening lack of readiness to co-operate."

Bonn is worried about the AEG-Telefunken concern, which is in a parlous financial state and was relying on the $650m (£376m) order won last autumn by its AEK-Kanis subsidiary for 47 turbines for the pipeline.

The U.S. Administration's original sanctions, announced on December 29 in response to the imposition of martial law in Poland, outlawed the supply of U.S. General Electric rotor sets for the U.S.-made turbines.

The decision at the weekend makes it practically impossible for AEG-Kanis to obtain the rotors from GE licensees in Europe.

The strength of the West German reaction differed from the cautious attitudes taken by UK and France.

The Trade Department in London said yesterday that it was "unhappy" with "another effort by Washington to apply extraterritorial jurisdiction" over domestic policy matters but that the move required further study. It would almost certainly be discussed when Mr Peter Rees, the Trade Minister, visited Washington next week.

But the U.S. decision is bound to affect John Brown Engineering's £104m contract to supply 21 gas turbines using GE rotor technology for the pipeline. The matter was discussed during President Reagan's recent visit to the UK. John Brown would not comment on the matter yesterday.

In France, the Industry Ministry said it was studying details of the U.S. measures and their implications for French companies.

The French are thought to be deeply upset by the U.S. action, which threatens to undermine the substantial contracts on the project won by Creusot-Loire and Thomson-Brandt. French companies had been hoping for business worth about FFr 10bn (£840m) on the engineering and ancillary electronic controls for the gas pipeline.

Alsthom-Atlantique, the French power engineering group, which has a GE licence to make rotor blades, and which could produce substitutes for the embargoed American products, said it is still waiting for Government instructions.

Soviet worries grow, Page 6

Aslef calls out 2,000 Tube drivers

BY DAVID GOODHART, LABOUR STAFF

UNDERGROUND services in London will be further disrupted today after a decision last night by the Associated Society of Locomotive Engineers and Firemen to pull out its 2,000 drivers—about half the system's total—on "indefinite" strike in protest at cuts in services.

Aslef was last night attempting to persuade the other London Transport unions—the National Union of Railwaymen and the Transport Salaried Staffs Association—to follow suit with an all-out strike call.

Services yesterday were severely hit as the result of industrial action by more than half the Underground's 20,000 workers in protest at the implementation of new timetables. The Piccadilly, District and Metropolitan (East London) lines had no services, and most other lines suffered a much-reduced service with only the Victoria and Jubilee lines operating normally.

At the same time, the London Transport sub-committee of the NUR, which represents about 15,000 tube workers, has recommended full strike action if 30 signal technicians—suspended last Friday for refusing to prepare for the new timetables—are not reinstated. The recommendation will not go before the full NUR executive until later this week.

Meanwhile, the NUR has told its members to report to work but not to operate the new schedules. London Transport is then sending them home.

The timetable cuts, which at the moment involve only peak hour services, were originally planned to start on March 22, when fares doubled following the Law Lords' ruling against the Greater London Council's cheap fares policy. But they were postponed after union protests. LT says it would save about £2.5m a year by scrapping 60 out of 500 peak hour trains. It claims the new timetables would mean only an extra 30-60 seconds wait on most lines. The cuts would not affect the Victoria or Jubilee lines.

Another round of cuts, affecting off-peak and weekend services, is due at the end of the year. According to London Transport, the cuts would have been necessary even without the Law Lords' ruling, which has cut passenger numbers by 11 per cent. There were 113m fewer passengers on the underground in 1981 compared with 1971.

Railmen may offer compromise, Page 12

£26.4m London Transport bus order likely

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

LONDON TRANSPORT expects to announce shortly a £26.4m order for buses, its first major investment since the Law Lords' ruling on the Greater London Council's cheap fares policy late last year.

The order for 360 double-decker buses, 210 Titans from Leyland and 150 Metro-Cammell Metrobuses, is expected to be sanctioned by the GLC transport committee meeting tomorrow, indicating that the GLC is taking a more liberal interpretation of the judgment.

The same meeting will consider a paper setting out four policy approaches for the future of London Transport which is preliminary to the GLC's submission to the Government in the autumn of its full Transport Plan for 1983. Mr Ken Livingstone, GLC leader, described the paper, which has been prepared by GLC officials, as the first step towards working out with Mr David Howell, Transport Secretary, the basis of London Transport's future.

The four approaches to the future of London Transport until 1987, on which Londoners will be invited to give their views, are:

- Break even—on the basis of no outside financial support, this would involve a 40 per cent cut in bus services, a 3 per cent cut in underground services, and 40 per cent higher fares.
- Cash limits (the present Government policy for London Transport)—fares would continue to be increased in line with inflation, but services would be cut by 16 per cent and underground services by 3 per cent.
- London's Minimum Needs (based on the Greater London development plan of the mid-1970s)—fares would be almost halved and restored to their pre-March 1982 level and would rise with inflation. Underground services would be increased by 6 per cent but bus services reduced by 5 per cent.
- Fares Fair—Fares would be halved, then frozen in cash terms, leading to them being 65 per cent lower than today by 1987. Bus services would be 13 per cent better and the underground service 6 per cent better.

The cost to the ratepayer would differ substantially according to the policy adopted, ranging from 3p (1982 constant prices) assuming a Transport Supplementary Grant paid on all expenditure, with no penalties, under the break-even plan, to 33.9p, assuming no such grant, and with penalties, under the Fares Fair plan.

The order by London Transport for the buses, for delivery in 1983, will be greeted with relief by the bus industry.

Metro-Cammell, the Birmingham-based company which cut more than 600 jobs last year, welcomed the prospect of the order yesterday. It has been warning its workforce that employment in bus and rail-car manufacture cannot depend solely on export orders.

London Transport orders are even more vital to jobs at Leyland's Workington plant, which started building the Tital when the Park Royal plant in West London closed.

Approval for £1.1bn training scheme

By Alan Pike, Industrial Correspondent

THE GOVERNMENT yesterday gave approval for the proposed £1.1bn Youth Training Scheme to go ahead in the form supported by both sides of industry.

Mr Norman Tebbit, Employment Secretary, has drawn back from his original determination that 16-year-olds who refused to join the scheme should be denied supplementary benefit.

He has also accepted a recommendation from the Manpower Services Commission, the tripartite body which runs the employment and training services, that allowances to trainees on the scheme should be at least £25 per week—some £10 more than the Government originally proposed.

Most important, for the longer-term, the year-long programme of training, further education and work experience will gradually be made available to all 16- and 17-year-olds who do not continue in full-time education, rather than just the young unemployed.

This will give Britain a chance of coming into line with its industrial competitors overseas, most of whom have a much better record of vocational training.

Mr Tebbit made it clear in the Commons yesterday that he still believes young people who refuse to take part in the scheme should not qualify for supplementary benefit. But it has become evident in recent weeks that if the Government had stuck to this position all hopes of launching the scheme would have been jeopardised.

Both union leaders and employers' representatives were opposed to what they saw as compulsion.

The Government will review the supplementary benefit position when the scheme, to be introduced in September next year, has been running for a year. Young people who "unreasonably" refuse a suitable training place will, however—like adults—have their benefit reduced for six weeks.

Mr Tebbit has decided that the Young Workers Scheme, under which employers who take on school leavers for less than £45 per week receive subsidies, will continue alongside the Youth Training Scheme.

The MSC said it would be inconsistent to retain the Young Workers Scheme because it contains no training element. Some 70,000 applications for subsidy have been attracted by the scheme.

Parliamentary debate, Page 9

THE LEX COLUMN

The dollar grabs the limelight

Not for the first time, London's financial markets have become transfixed by the movement of the dollar. Both equities and gilt-edged were marked down sharply yesterday morning as sterling sped towards $1.7150 with little apparent support from the Bank of England. When the opening of the New York debt markets failed to confirm London's worst fears, sterling turned around to close at $1.7270.

But this was still 1½ cents below late rates on Friday, while equities, even after a late rally, were looking more fragile than at any time during the Falklands crisis. So far, the Bank has been letting events run their course. Its assistance in the money markets yesterday was just enough to cover a shortage of around £150m and there was no perceptible upward pressure on rates.

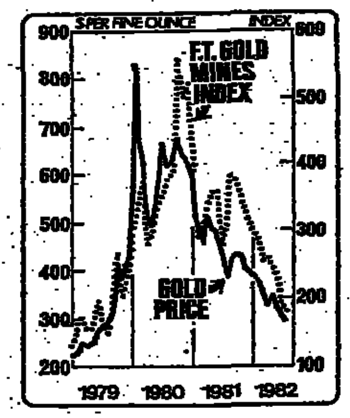
Blame for the most recent rise in U.S. interest rates cannot be laid wholly at the door of the Federal Reserve. The Fed has been allowing M-1 growth to overshoot the top end of its target range and Friday's $1.4bn increase, above most expectations, failed to provoke a tightening in reserve requirements. The Fed seems prepared to accept a temporary overrun in order to stimulate the economy during the third quarter. Yesterday's provisional second quarter GNP figures, showing real growth of only 0.6 per cent, will have done nothing to weaken its resolve.

The Fed is faced with the unpalatable risk that any attempt to rein in the rate of monetary growth could trigger a rash of corporate failures. U.S. banks are already bidding aggressively for funds on the certificate of deposit and commercial paper markets in order to finance the growing cash flow deficits of their corporate clients. The ratio of corporate borrowings to liquid assets has fallen over the last month to its lowest level for 60 years.

The rapid destocking which accompanied the slow-down in the economy earlier this year has had no perceptible impact on the acceleration of bank lending. During the first quarter, business loans rose by $13bn despite a reduction of $11.8bn in stock levels.

The corporate sector's thirst for finance is making it increasingly difficult for the U.S. Treasury to plan its funding programme. It has already reached the statutory ceiling on debt offerings with a maturity of over 10 years and needs to raise around $42bn in the third quarter, almost double the level of a year ago, at the shorter end of the market.

Index fell 3.1 to 554.9



Last week's disastrous bill auction showed that it cannot count on the retail market for support and the banks themselves are net sellers of securities. Liquidity has been greatly reduced by the Drysdale Securities affair and, even after the recent run-up in bond yields, the Treasury must be wondering how its third quarter needs will be met.

Gold markets

The interest rate fall-out also made itself felt in the gold markets. Bullion shed another $11¼ yesterday to fall below the flimsy $300 barrier, closing at $296 an ounce. Moreover with gold-mining shares still leading the decline—as they have over last week — the omens for bullion remain unpromising. Certainly, the gold analysts' normal confidence about the next fall-back position and trading range has gone the way of any head and shoulders formation after the passage of the executioner's axe.

In fact the underlying demand/supply equation has been looking more healthy this year, with fabricators for once prepared to take up the bulk of what the structural sellers, South Africa and Russia, have wished to supply. But the latest turn of the interest rate screw has come at a time when this propos is seasonally weak as the summer holidays loom. With political shocks in the Falklands and the Lebanon making little lasting impact on the gold price, meanwhile, the investor demand seen earlier in the Far and Middle East has dried up. Amid renewed fears about sales by countries with foreign exchange shortages, dishoarding by small investors has apparently been stepped up.

South African gold shares have continued to fall faster than bullion, with a drop of about 10 per cent yesterday. Already the sector has seen its first set of passed dividends; to add to the gloom, yesterday West Rand Consolidated announced it was going over to a virtual care and maintenance basis. At an average bullion price of $300 for the year, yields are estimated to be running at about 12 per cent. If the bullion price remains at this level for any length of time, such yields—which match those of the mining houses—may well be considered inadequate.

Domestic inflation of 16½ per cent means that costs of production—which have risen sharply over the last three years—will continue upward in spite of an upgrading in the ore mix. The prospects for future dividend payments have also been affected by the increased surcharge introduced in the Budget.

For domestic investors, the weakness of the Rand provides some income protection. But for foreign holders of stock, the recent widening of the Financial Rand discount—from about 10 to 16 per cent—has geared up the effects of dividend cuts.

Harrisons & Crosfield

The effect of Malaysianisation on Harrisons' share price has been anything but tonic. At 487.5p the shares have run down 10 per cent since the deal was announced three weeks ago, leaving H&C capitalised at £304m. But, according to the backward looking pro-forma accounts, pre-tax profits in 1981 would have been much the same if the deal had been struck in December 1980.

Yet evolution — into what Harrisons is calling "highly selective diversity"—has not stood still. Investments in speciality chemicals seem unlikely to match the 12½ per cent assumed from bank deposits. Harrisons' remaining plantation interests, plus the incoming cash, amount to almost the group's capitalisation, showing that the market *is* taking nothing on trust where the other interests are concerned.

Compromise plan aims to extend pact on credits

By Paul Cheeseright, World Trade Editor

THE export credit group at the Organisation for Economic Co-operation and Development has produced a last-ditch set of compromise proposals aimed at extending the 22-nation agreement covering the granting of export credits.

The current agreement, known as the consensus, has already been extended and is set to expire on Friday night. The lack of an agreement could lead to an export credits war with serious consequences for exporters.

The latest proposals are thought to be acceptable to both the U.S. and Japan, but the EEC, which also plays a crucial role in drawing up the consensus arrangements, has yet to make its position known.

The proposals, put forward by Mr Axel Wallen, chairman of the OECD's export credit group, were designed to meet the EEC's reservations about Mr Wallen's earlier ideas, produced in response to the breakdown of OECD export credit talks early last month.

Under the latest proposals:

- Interest rates for relatively rich and medium income borrowing countries (where Mr Wallen has evidently split the difference between what the EEC wants and his first proposals) would rise by 1.15 percentage points to 12.15-12.4 per cent;
- For middle income borrowers they would rise 0.35 of a percentage point to 10.85-11.35 per cent;
- Mr Wallen is understood to have rejected the EEC call for a 0.5 of a percentage point reduction to 9.5 per cent for relatively poor borrowers;

BT expects record £425m profits

BY GUY DE JONQUIERES

BRITISH TELECOM is expected to report a record profit of between £435m and £450m for the year to March 31. That would be more than double the £180.7m it earned in the previous year while still part of the Post Office.

But BT appears resigned to the probability of a delay — until early next year — in its plans to raise as much as £150m by selling "Buzby Bonds" to private investors.

The timing of the bond sale, originally planned for the autumn, is being reviewed because the Government wants to table legislation in October to permit the privatisation of BT and also intends to take major decisions before the end of the year on the recabling of Britain.

The timetable has also been affected by the Government's desire to give priority to the planned sale of shares in the British National Oil Corporation in the autumn, and by uncertainties about how purchasers of Buzby Bonds would be taxed.

There is a risk that the bond sale, if left until next year, could be complicated by a debate over privatisation. But BT believes that a delay could be beneficial if it clarified Government thinking on the future structure of the organisation and the role it would play in the recabling plans.

If the Government authorised BT to participate actively in building and operating broadband cable systems to carry television and communications, the organisation might decide to link the sale of Buzby Bonds directly to its investments in cable.

The strong recovery in BT's profits, which will be announced officially in August, is due largely to the resilience of its business in spite of the recession. In 1981-82 its total income grew by about 4.5 per cent in real terms from £4.6bn the previous year.

A significant part of this growth derives from BT's last two tariff increases. The first of these, averaging 17 per cent, took effect in November 1980, while the second, averaging 9.5 per cent, was introduced a year later.

But some of the profits improvement also reflects BT's cost-cutting efforts, intended to increase productivity by 25 per cent over three years.

BT's disappointing profits in 1980-81 caused it to exceed the external financing limit (EFL) set by the Government and prompted a public rebuke by the Industry Department. In 1981-82, however, it is expected to be well within its EFL limits.

Continued from Page 1

Gibraltar

was described as "catastrophic."

Sr Perez Llorca is believed to have told Mr Pym in private that the anti-British Backlash in Spain, prompted by the Falklands crisis, meant that the Madrid government must have some reciprocal moves by Britain on the vexed question of future sovereignty over the Rock.

Mr Pym, for his part, is said to have warned that anything smacking of a concession on sovereignty was politically out of the question. Publicly, Mr Pym remained convinced that the border would be re-opened in the next year or two if only because Spanish accession to the EEC would be "inconceivable" without it.

Continued from Page 1

Strong dollar

Swiss franc foreign bond sector, dealers reported price falls of between one and two points, while in West Germany, Euro D-mark bonds were ½ point lower on the day.

In spite of the rise of the dollar, the pound was firm against Continental currencies and its Bank of England trade weighted index fell only 0.2 points to close at 91.0.

However, UK interest rates moved up again with the three-month interbank rate gaining ⅛ point at 13⅝. The FT gilts index was down 0.36 points at 68.6 and the 30 share index also moved down, although it recovered early sharp falls to close 3.1 down at 554.7.

There was confusion and uncertainty in the European exchange markets yesterday about what practical steps were being considered by the U.S. regarding high interest rates.

One London dealer said: "Unless there is a change in monetary policies there is no reason to think that U.S. interest rates will come down."

Other dealers did not believe the European authorities could tolerate a much greater rise in the dollar, and there were fears of concerted intervention to bring it down.

In Washington, Mr Regan criticised the Federal Reserve Board for allowing "anything but steady monetary growth" and said it was time to start asking some "hard questions" about the Fed's performance. The U.S. Government had consistently supported the Fed's policies, taking issue only over their implementation, he added.

Weather

UK TODAY

CLOUDY with some rain. Sunny intervals in Scotland.

London, S.E., E. Anglia, South, Midlands, Chan. Isles
Cloudy, rain at times. Max 17C (63F).

N. Wales, N.W., North, N.E., S.W. Scotland, N Ireland
Mainly cloudy with some rain. Max 17C (63F).

S.W., S. Wales
Cloudy, rain at times. Brighter later. Max 16C (61F).

Border, Edinburgh, Glasgow, Highlands
Mainly dry with bright intervals. Max 15C (59F).

Outlook: Mainly dry with showers. Rather cool.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	L. Ang.†	C	16	61
Algiers	S	30	86	Lxmbg.	C	21	70
Amsdm.	C	16	61	Luxor	S	41	106
Athens	S	28	82	Madrid	S	29	84
Bahrain		—	—	Majorca	S	27	81
Barclna.	S	25	77	Malaga	S	32	90
Beirut		—	—	Malta	S	34	93
Belfast	C	13	55	M'chstr	R	13	55
Belgrd.	F	27	81	Melbne.		—	—
Berlin	F	18	64	Mx. C.†		—	—
Biarritz	C	27	81	Miami†	S	26	79
Bmghm.	R	13	55	Milan	C	26	79
Blackpl.	R	11	52	Montrl.†	R	12	54
Bordx.	C	23	73	Moscow	C	17	63
Boulgn.	C	22	72	Munich	C	18	64
Bristol	C	15	59	Nairobi		—	—
Brussels	C	20	68	Naples	F	31	88
Budpst.	C	25	77	Nassau		—	—
Cairo		—	—	Nwcstle.	C	13	55
Cardiff	R	14	57	N York†	C	21	70
Cas'bca	F	21	70	Nice	F	25	77
Cape T.		—	—	Nicosia		—	—
Chicg.†	S	14	57	Oporto	C	19	66
Cologne	C	20	68	Oslo	C	11	52
Cpnhgn.	C	13	55	Paris	C	22	72
Corfu	S	29	84	Perth		—	—
Denver†	S	12	54	Prague	C	21	70
Dublin	C	16	61	Rykjvk.	C	11	52
Dbrvnk.	F	27	81	Rhodes	S	28	82
Ednbgh.	F	14	57	Rio J'o†		—	—
Faro	S	24	75	Rome	S	27	81
Florence	F	31	88	Salzbrg.	C	20	68
Frankft.	C	20	68	S'ciaco†		—	—
Funchal		—	—	S. Mrtz.		—	—
Geneva	R	18	64	Singapr.		—	—
Gibrltr.	S	28	82	S'tiago†		—	—
Gl'sg'w	F	16	61	Stckhm.	C	12	54
G'nsey	F	18	64	Strasbg.	R	19	66
Helsinki	C	16	61	Sydney		—	—
H. Kong		—	—	Tangier	C	23	73
Innsbrk.	C	17	63	Tel Aviv	S	26	79
Invrnss.	C	13	55	Tenerife	S	22	72
I.o.Man		—	—	Tokyo		—	—
Istanbul	F	25	77	T'r'nto†	F	13	55
Jersey	C	19	66	Tunis	S	36	97
Jo'burg		—	—	Valencia	S	35	95
L. Plms.	S	22	72	Venice	S	25	77
Lisbon	C	23	73	Vienna	C	25	77
Locarno	C	22	72	Warsaw	F	19	66
London		—	—	Zurich	C	18	64

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.